
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in China City Railway Transportation Technology Holdings Company Limited, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Capitalised terms used in this circular shall have the same meanings as defined in the section headed "Definitions" in this circular.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser to the Independent Board Committee and the Independent Shareholders



A letter from the Board is set out on pages 7 to 18 of this circular. A letter from the Independent Board Committee is set out on pages 19 to 20 of this circular. A letter from Goldin containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 33 of this circular.

A notice convening the EGM to be held at the Conference Room, 10/F, 3rd Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People's Republic of China at 11:00 a.m. on 13 November 2012 is set out on pages 39 to 40 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

26 October 2012

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CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“ACC System”	automated fare collection clearing centre system, a network-level system which apportions and clears amounts among the clearing participants registered in the system to realise their commercial agreements
“ACC System Project Technical Service”	the technical services in relation to the operation of the ACC System of Beijing Subway which includes, among others, ACC System application software support, ACC System emergency support, software and hardware consultation support and software tools ongoing support
“ACC System Project Technical Service Agreement”	the technical service agreement entered into between ERG BJ and Vix East Asia dated 8 June 2012, pursuant to which ERG BJ appointed Vix East Asia to provide ERG BJ with the ACC System Project Technical Service for the two years ending 7 June 2014
“AFC System”	automated fare collection system, a line-level system which manages and controls tickets and functions of SLEs of a public transport system
“AFC System Project Technical Service”	the regional operational and technical services in relation to the operation of the AFC System which includes, among others, AFC System application software support, AFC System emergency support, software and hardware consultation support and software tools ongoing support, engineering construction, design, installation, debugging, test run, training, trial operation of the system, project management, the technical services during quality assurance, correlative technical direction and training for development of various software applications
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Beijing City Railway”	Beijing City Railway Holdings Company Limited (北京城市轨道交通控股有限公司), a company incorporated under Hong Kong law with limited liability whose entire issued share capital is owned by Great Legend Development Limited. Beijing City Railway is an indirect wholly owned subsidiary of the Company

DEFINITIONS

“Beijing Subway”	the transit rail network that serves urban and suburban districts of Beijing municipally
“BJ Licensor Technology”	the technology for the project relating to the ACC System of Beijing Subway and other technology, namely additional support development and additional support, updated from to time, as defined in the ERG BJ Principal Licensing Agreement
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	China City Railway Transportation Technology Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Continuing Connected Transactions”	collectively, the continuing connected transactions constituted by the transactions contemplated under the Supplemental Licensing Agreements
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened for, among other matters, approving the Supplemental Licensing Agreements and the related proposed annual caps for the three years ending 30 June 2015 for the Continuing Connected Transactions
“ERG BJ”	億雅捷交通系統(北京)有限公司 (ERG Transit Systems (Beijing) Ltd.*), a wholly foreign-owned enterprise established under PRC law with limited liability whose entire equity interest is directly held by Beijing City Railway. ERG BJ is an indirectly wholly owned subsidiary of the Company

* For identification purposes only

DEFINITIONS

“ERG BJ Principal Licensing Agreement”	the licensing agreement dated 28 February 2012 and entered into between Vix IP as licensor and ERG BJ as licensee, pursuant to which Vix IP granted to ERG BJ a non-exclusive and non-transferable license to use the BJ Licensor Technology
“ERG BJ Supplemental Licensing Agreement”	the supplemental agreement dated 15 October 2012 and entered into among Vix IP, ERG BJ, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) to amend and supplement the ERG BJ Principal Licensing Agreement
“ERG Greater China”	ERG Transportation Greater China Company Limited, a company incorporated under BVI law with limited liability whose issued share capital is owned as to 30% by Vix East Asia, 56% by More Legend Limited and 14% by Landcity Limited
“ERG HK”	ERG Transit Systems (HK) Limited, a company incorporated under the Hong Kong law with limited liability whose entire issued share capital is owned by Beijing City Railway. ERG HK is an indirectly wholly owned subsidiary of the Company
“ERG HK Principal Licensing Agreement”	the licensing agreement dated 28 February 2012 and entered into between Vix IP as licensor and ERG HK as licensee, pursuant to which Vix IP granted to ERG HK a non-exclusive and non-transferable license to use the HK Licensor Technology
“ERG HK Supplemental Licensing Agreement”	the supplemental agreement dated 15 October 2012 and entered into among Vix IP, ERG HK, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) to amend and supplement the ERG HK Principal Licensing Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“Goldin”	Goldin Financial Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Licensor Technology”	any technology owned by or licensed to Vix IP or an affiliate of Vix IP which is capable of being used in an AFC System, product or service
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee comprising the three independent non-executive Directors established by the Board for the purpose of advising the Independent Shareholders in relation to the Continuing Connected Transactions
“Independent Shareholders”	Shareholders excluding ERG Greater China and its associates
“Latest Practicable Date”	25 October 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Licensor Technology”	collectively, the BJ Licensor Technology and HK Licensor Technology
“Optimisation Project Technical Service”	the technical services in relation to the optimisation of the ACC System of Beijing Subway which includes, among others, engineering construction, design, installation, debugging, test run, training, trial operation of the system, project management, the technical services during quality assurance, correlative technical direction and training for development of various software applications

DEFINITIONS

“Optimisation Project Technical Service Agreement”	the technical service agreement entered into between ERG BJ and Vix East Asia dated 8 June 2012, pursuant to which ERG BJ appointed Vix East Asia to provide ERG BJ with the Optimisation Project Technical Service for the year ending 7 June 2013
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Principal Licensing Agreements”	collectively, (i) the ERG BJ Principal Licensing Agreement; and (ii) the ERG HK Principal Licensing Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholder(s) of the Company
“SLE”	station-level equipment, comprising automatic ticket vending machines, booking office machines, automatic gates and automatic ticket checking machines, and which performs various functions, including value-adding of tickets, sale, checking, rebate and substitution of tickets, application for and loss reporting of tickets, and ticket information service
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Licensing Agreements”	collectively, (i) the ERG HK Supplemental Licensing Agreement; and (ii) the ERG BJ Supplemental Licensing Agreement
“Vix East Asia”	Vix Technology (East Asia) Limited, a company incorporated in Hong Kong with limited liability whose entire issued share capital is held by Vix Holdings
“Vix Group”	Vix Holdings and its subsidiaries from time to time
“Vix Holdings”	Vix Holdings Ltd, a company incorporated under Australian Law with limited liability whose entire issued share capital is held by Vix Transportation Systems Pty Ltd

DEFINITIONS

“Vix IP”

Vix IP Pty Ltd, a company incorporated under Australian law with limited liability whose entire issued share capital is held by Vix Holdings

“%”

per cent.

LETTER FROM THE BOARD

中國城市軌道交通科技控股

CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY

中國城市軌道交通科技控股有限公司

**CHINA CITY RAILWAY TRANSPORTATION
TECHNOLOGY HOLDINGS COMPANY LIMITED**

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8240)



Executive Directors:

Cao Wei (*Chief Executive Officer*)

Chen Rui

Non-executive Directors:

Tian Zhenqing (*Chairman*)

Steven Bruce Gallagher

Independent non-executive Directors:

Hu Zhaoguang

Bai Jinrong

Kong Shin Long, Johnny

Registered office:

Scotia Centre

4th Floor

P.O. Box 2804

George Town

Grand Cayman KY1-1112

Cayman Islands

***Head office and principal place
of business in the PRC:***

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Qingyun Modern Plaza

Block 9, Mantingfang Garden

Qingyun Lane, Haidian District

Beijing

The PRC

***Principal place of business
in Hong Kong:***

Unit 4407, 44/F

COSCO Tower

183 Queen's Road Central

Hong Kong

26 October 2012

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

As disclosed in the prospectus of the Company dated 3 May 2012, the ERG BJ Principal Licensing Agreement was entered into between ERG BJ and Vix IP on 28 February 2012. On the same date, the ERG HK Principal Licensing Agreement was entered into between ERG HK and Vix IP. Vix IP is a wholly owned subsidiary of Vix Holdings, which in turn is indirectly held as to approximately 100% by Mr. Duncan Paul Saville, one of the Shareholders through

LETTER FROM THE BOARD

his indirect interest in Vix Holdings. Accordingly, Vix IP is an associate of the Company under the GEM Listing Rules and thus will be regarded as connected person of the Company under the GEM Listing Rules. The transactions contemplated under such agreements constitute continuing connected transactions for the Company. As each of the percentage ratios (other than the profit ratio), where applicable, calculated by reference to Rule 19.07 of the GEM Listing Rules in respect of the license fee under the Principal Licensing Agreements paid by ERG HK and ERG BJ is less than 25% and the annual consideration is less than HK\$10 million, the transactions contemplated under the Principal Licensing Agreements are exempt from the then Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Stock Exchange had granted to the Company waiver from compliance with the announcement requirements related to the non-exempt continuing connected transactions under the GEM Listing Rules.

On 15 October 2012, the ERG BJ Supplemental Licensing Agreement was entered into among Vix IP, ERG BJ, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) to amend and supplement the ERG BJ Principal Licensing Agreement. On the same date, the ERG HK Supplemental Licensing Agreement was entered into among Vix IP, ERG HK, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) to amend and supplement the ERG HK Principal Licensing Agreement. Each of the ERG BJ Supplemental Licensing Agreement and the ERG HK Supplemental Licensing Agreement was entered into for the purpose of, among others, amending and supplementing the Principal Licensing Agreements including novation of obligations and rights of the parties thereto and expanding the scope of services under the Principal Licensing Agreements.

The purpose of this circular is to provide you with the information in relation to, among others, the Continuing Connected Transactions, the letter of advice from the Independent Board Committee, the letter of advice from Goldin to the Independent Board Committee and the Independent Shareholders and the notice of the EGM.

2. CONTINUING CONNECTED TRANSACTIONS

As at the date of this circular, ERG Greater China was a controlling shareholder of and a connected person of the Company which held approximately 60.16% of the total issued share capital of the Company. Vix East Asia was interested as to 30% in the equity interests of ERG Greater China and the entire issued share capital of Vix East Asia was held by Vix Holdings. Accordingly, Vix Holdings is an associate of ERG Greater China, and is therefore a connected person of the Company under Rule 20.11(4) of the GEM Listing Rules.

Vix IP is a connected person of the Company under Rule 20.11(4) of the GEM Listing Rules by virtue of the fact that it is a wholly owned subsidiary of Vix Holdings.

LETTER FROM THE BOARD

Accordingly, the transactions contemplated under the Supplemental Licensing Agreements constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. Based on their proposed annual caps for the three years ending 30 June 2015, the Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company will seek the Independent Shareholders' approval for the Supplemental Licensing Agreements and the proposed annual caps for the three years ending 30 June 2015 for the Continuing Connected Transactions at the EGM.

As at the Latest Practicable Date, Mr. Steven Bruce Gallagher was a director of Vix East Asia. Mr. Steven Bruce Gallagher has abstained from voting on the Board resolution approving the transactions contemplated under the Supplemental Licensing Agreements. Save as disclosed herein, none of the Directors have a material interest in the transactions contemplated under the Supplemental Licensing Agreements that require them to abstain from voting on the Board resolution approving the abovementioned transactions.

ERG Greater China and its associates will abstain from voting on the resolutions approving the Supplemental Licensing Agreements and the related proposed annual caps which will be proposed at the EGM.

3. SUPPLEMENTAL LICENSING AGREEMENTS

(1) ERG HK Supplemental Licensing Agreement

Parties

- (i) Vix IP, an investment holding company holding various intellectual properties owned by or licensed to Vix IP or its affiliates, as licensor;
- (ii) ERG HK, principally engaged in the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Hong Kong, as licensee;
- (iii) Vix Holdings, an investment holding company, on its own behalf and as trustee for the benefit of its subsidiaries from time to time; and
- (iv) Beijing City Railway, an investment holding company, on its own behalf and as trustee for the benefit of its subsidiaries from time to time.

Subject matter

Pursuant to the ERG HK Principal Licensing Agreement, Vix IP, as licensor, granted to ERG HK, as licensee, a non-exclusive and non-transferable license to use the HK Licensor Technology for a term commencing from 28 February 2012 and ending on 20 July 2014, subject to renewal and negotiation upon expiry every three years pursuant to the terms therein.

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The territory in which the ERG HK Principal Licensing Agreement covered include Hong Kong, Macau and Taiwan. In addition, Vix IP might provide support development services to ERG HK subject to support charges, or alternatively, ERG HK might provide additional services (“**HK Principal Additional Services**”) that are necessary for development of or additions to the ERG HK Licensor Technology subject to additional charges during the terms of the ERG HK Principal Licensing Agreement. Pursuant to the ERG HK Supplemental Licensing Agreement, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) has agreed to assume the rights and obligations of Vix IP as licensor while Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) has agreed to assume the rights and obligations of ERG HK as licensee in relation to the HK Licensor Technology under the ERG HK Principal Licensing Agreement.

Each of Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) has agreed to provide, and has agreed to engage each other (as the case may be) to provide services including but not limited to the AFC System Project Technical Services save for the HK Principal Additional Services, which includes the technical services in relation to the operation, upgrade and support and maintenance of the AFC System in general (“**ERG HK Agreement New Services**”) during the term of the ERG HK Supplemental Licensing Agreement. The ERG HK Agreement New Services to be provided by Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) or Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) are of similar nature; and whether either party would engage the other to provide the ERG HK Agreement New Services depends on the demand for such services and the costs in carrying out such services in the relevant territory.

Under the ERG HK Supplemental Licensing Agreement, the party requesting the ERG HK Agreement New Services may from time to time make a request with the provider for the provision of such services by placing the service notice with the provider. The service fee, the type(s) of services required, the specifications that such services shall meet, the location where the services is expected to be carried out and the expected delivery date of such services will be negotiated by the parties in good faith which will be set out in the relevant service notices.

In respect of provision of ERG HK Agreement New Services, service notice shall be given in writing sent by facsimile or by email from party requesting the ERG HK Agreement New Services to the provider. The service fee shall be determined by the parties at arm’s length negotiation from time to time by reference to, among other factors, the complexity of the service to be provided as well as, where applicable, prevailing market rates of similar services estimated based on the hourly rate of the relevant staff to be designated for a project with reference to rates charged by independent third parties providing services of similar nature in the past experience of the Group. The payment terms for the service fee will be negotiated among the parties thereto at arm’s length each time and set out in the relevant service notices to be placed under the ERG HK Supplemental Licensing Agreement. It is expected that the service fee will be payable in line with the market practice and will be in general payable by instalments with the initial instalment paid upon the service notice takes effective and thereafter upon achievement of respective milestones in accordance with and as set out in the service notice.

LETTER FROM THE BOARD

Term

The term of ERG HK Principal Licensing Agreement is amended and revised to three years commencing from 15 October 2012, then renewable every three years in accordance with the ERG HK Principal Licensing Agreement.

(2) ERG BJ Supplemental Licensing Agreement

Parties

- (i) Vix IP, an investment holding company holding various intellectual properties owned by or licensed to Vix IP or its affiliates, as licensor;
- (ii) ERG BJ, principally engaged in the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Beijing, as licensee;
- (iii) Vix Holdings, an investment holding company, on its own behalf and as trustee for the benefit of its subsidiaries from time to time, as licensor and as provider; and
- (iv) Beijing City Railway, an investment holding company, on its own behalf and as trustee for the benefit of its subsidiaries from time to time, as licensee and as customer.

Subject matter

Pursuant to the ERG BJ Principal Licensing Agreement, Vix IP, as licensor, granted to ERG BJ, as licensee, a non-exclusive and non-transferable license to use the BJ Licensor Technology for a term commencing from 28 February 2012 and ending on 20 July 2014, subject to renewal and negotiation upon expiry every three years pursuant to the terms therein. The territory in which the ERG BJ Principal Licensing Agreement covered include the PRC. In addition, Vix IP might provide support development services to ERG BJ subject to support charges, or alternatively, ERG BJ might provide additional services (“**BJ Principal Additional Services**”) that are necessary for development of or additions to the ERG BJ Licensor Technology subject to additional charges during the terms of the ERG BJ Principal Licensing Agreement. Pursuant to the ERG BJ Supplemental Licensing Agreement, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) (the “**ERG BJ Agreement Provider**”) has agreed to assume the rights and obligations of Vix IP as licensor while Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) (the “**ERG BJ Agreement Customer**”) has agreed to assume the rights and obligations of ERG BJ as licensee in relation to the BJ Licensor Technology under the ERG BJ Principal Licensing Agreement.

The ERG BJ Agreement Provider has agreed to provide, and the ERG BJ Agreement Customer has agreed to engage the ERG BJ Agreement Provider to provide services including but not limited to the ACC System Project Technical Service and the Optimisation Project Technical Service save for the BJ Principal Additional Services (“**ERG BJ Agreement New Services**”, together with **ERG HK Agreement New Services**, collectively, “**New Services**”),

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which includes the technical services in relation to the operation, upgrade, support and maintenance and optimisation of the ACC System of Beijing Subway in general during the term of the ERG BJ Supplemental Licensing Agreement.

Under the ERG BJ Supplemental Licensing Agreement, the ERG BJ Agreement Customer may from time to time make a request with the ERG BJ Agreement Provider for the provision of ERG BJ Agreement New Services by placing the service notice with the ERG BJ Agreement Provider. The service fee, the type(s) of services required, the specifications that such services shall meet, the location where the services is expected to be carried out and the expected delivery date of such services will be negotiated by the parties in good faith which will be set out in the relevant service notices.

In respect of provision of ERG BJ Agreement New Services, service notice shall be given in writing sent by facsimile or by email from ERG BJ Agreement Customer to ERG BJ Agreement Provider. The service fee shall be determined by the parties at arm's length negotiation from time to time by reference to, among other factors, the complexity of the service to be provided as well as, where applicable, prevailing market rates of similar services estimated based on the hourly rate of the relevant staff to be designated for a project with reference to rates charged by independent third parties providing services of similar nature in the past experience of the Group. The payment terms for the service fee will be negotiated among the parties thereto at arm's length each time and set out in the relevant service notices to be placed under the ERG BJ Supplemental Licensing Agreement. It is expected that the service fee will be payable in line with the market practice and will be in general payable by instalments with the initial instalment paid upon the service notice takes effective and thereafter upon achievement of respective milestones in accordance with and as set out in the service notice.

Term

The term of ERG BJ Principal Licensing Agreement is amended and revised to three years commencing from 15 October 2012, then renewable every three years in accordance with the ERG BJ Principal Licensing Agreement.

Proposed annual caps, existing annual caps or annual consideration, and historical transaction amounts

Reference is made to the announcement of the Company dated 8 June 2012 in which details of the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement were disclosed. The Optimisation Project Technical Service Agreement is a one-off transaction ending on 7 June 2013 while the ACC System Project Technical Service Agreement is a two-year agreement ending on 7 June 2014.

The existing annual cap under the Principal Licensing Agreements for each of the three years ending 30 June 2014 is AUD250,000 (approximately HK\$2,000,000). Under the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement, the maximum aggregate annual consideration for the provision of technical services for the two years ending 7 June 2014 is HK\$9,874,311 and HK\$1,783,738 respectively.

LETTER FROM THE BOARD

Set out below are (i) the historical transaction amounts carried out under the Principal Licensing Agreements, the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement for the year ended 30 June 2012 and the three months ended 30 September 2012; (ii) the proposed annual caps for the provision of services by the Vix Group to Beijing City Railway and its subsidiaries contemplated under the Supplemental Licensing Agreements for the three years ending 30 June 2015; and (iii) the proposed annual caps for the provision of services by Beijing City Railway and its subsidiaries to the Vix Group contemplated under the Supplemental Licensing Agreements for the three years ending 30 June 2015:

	Historical transaction amounts		Proposed annual caps		
	For the year ended	For the three months ended	For the year ending 30 June		
	30 June 2012	30 September 2012	2013	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
Service provided by the Vix Group to Beijing City Railway and its subsidiaries	8,239,218	445,934	9,200,000	9,600,000	10,000,000
Service provided by Beijing City Railway and its subsidiaries to the Vix Group	-	-	13,800,000	14,400,000	15,000,000
Total	8,239,218	445,934	23,000,000	24,000,000	25,000,000

The Supplemental Licensing Agreements will be enforced in parallel to each of the ACC System Project Technical Services Agreement and the Optimisation Project Technical Service Agreement.

Pursuant to the ACC System Project Technical Services Agreement and the Optimisation Project Technical Service Agreement, the service fees payable by ERG BJ to Vix East Asia for the provision of technical services in relation to the operation and optimisation of the ACC System of Beijing Subway as stipulated therein would be calculated and included under the maximum aggregate annual consideration of HK\$9,874,311 and HK\$1,783,738 respectively for the two years ending 7 June 2014.

In relation to the proposed annual caps for the provision of services by the Vix Group or Beijing City Railway and its subsidiaries contemplated under the Supplemental Licensing Agreements for the three years ending 30 June 2015, it is intended that proposed annual caps

LETTER FROM THE BOARD

will include, among others, the service fees in relation to the provision of (i) the ERG BJ Agreement New Services save for the technical services provided under the ACC System Project Technical Services Agreement or the Optimisation Project Technical Service Agreement during the terms of such agreements (i.e. from 8 June 2012 to 7 June 2013 or from 8 June 2012 to 7 June 2014 (as the case may be)); and (ii) the ERG BJ Agreement New Services including the technical services previously provided under the ACC System Project Technical Services Agreement or the Optimisation Project Technical Service Agreement upon the expiry of such agreements (i.e. from 8 June 2013 to 30 June 2015 or 8 June 2014 to 30 June 2015 (as the case may be)).

It is expected that on or around 1 July 2015, a new master agreement (the “**New Master Agreement**”) will be entered into between Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) for the provision of New Services, HK Licensor Technology and BJ Licensor Technology, under which the annual caps of transactions contemplated under the New Master Agreement for the three years ending 30 June 2018 will be proposed. The Company intends to seek the then independent Shareholders’ approval for the New Master Agreement and the proposed annual caps thereunder at the extraordinary general meeting of the Company, or take any other action(s) in compliance with the then GEM Listing Rules. It is intended that the New Master Agreement would override the Supplemental Licensing Agreements upon being effective.

Basis of proposed annual caps

The Group has utilised approximately 73.14% of the aggregate amount of the existing annual cap/annual consideration for the year ended 30 June 2013 of approximately HK\$11.87 million as of 30 September 2012, which represents approximately 51.63% of the proposed annual caps for the year ending 30 June 2013.

The proposed annual caps for the Supplemental Licensing Agreements for the three years ending 30 June 2015 are determined by reference to: (i) the estimated amount of time, manpower and level of technical expertise required under the technical services for relevant application solutions with reference to prior projects of similar nature; (ii) the amount of application solutions currently and to be implemented and potential projects to be undertaken by Beijing City Railway and its subsidiaries or the Vix Group; (iii) the expected growth in demand for the application solutions service from the expanding client base of Beijing City Railway and its subsidiaries or the Vix Group; (iv) the historical transaction amounts under the Principal Licensing Agreements, the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement; and (v) the positive outlook of the subway system in the PRC, in particular Beijing, considering the growth of the number of subway passengers in recent years.

In determining the proposed annual caps relating to the services provided by the Vix Group to Beijing City Railway and its subsidiaries, the management of the Company has taken into account the Group’s projects in the pipeline, comprising existing projects and projects successfully tendered by the Group. As advised by the management of the Company, it is

LETTER FROM THE BOARD

expected that the application solutions for the ACC System being designed and implemented by the Group for new lines of transportation network would require various optimisation procedures for smooth integration between the ACC System and the transportation network, and that the existing ACC System integrated by the Group's application solution would require further optimisation for better system efficiency and stability in order to cater for the increasing passenger flow facing the clients' transportation networks, in particular the Beijing Subway. Furthermore, for the ongoing operation of the ACC System under the Group's portfolio, the Group requires from the Vix Group various technical and engineering support, including software, hardware and emergency support, for each of the systems.

Regarding the proposed annual caps relating to the services to be provided by Beijing City Railway and its subsidiaries to the Vix Group, the Company has taken into account the services to be subcontracted by the Vix Group to Beijing City Railway and its subsidiaries relating to the automated fare collection system of subway line projects that the Vix Group has tendered and is intended to tender for in the South East Asian countries, including but not limited to the new subway lines in Bangkok, Thailand, Manila and the Philippines.

Reasons for the Continuing Connected Transactions

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Beijing and Hong Kong.

Each of ERG HK and ERG BJ is utilising the HK Licensor Technology and BJ Licensor Technology respectively granted to them under the Principal Licensing Agreements in carrying out their business operation. Taking into account the Vix Group being the owner and developer of the relevant technology, the Vix Group has competitive advantage in providing the New Services considering its familiarity of the ACC System and the engagement of the Vix Group to provide such services under the Supplemental Licensing Agreements will enable the Group to fully utilise the expertise and experience of the Vix Group with stable and high quality technical support services. On the other hand, ERG HK, with the necessary know-how and relevant experience accumulated throughout years of operation, has the capability to provide the ERG HK Agreement New Services to the Vix Group with cost advantage (the cost in providing the ERG HK Agreement New Services is determined by, among others, the hourly rate of the relevant staff to be designated for a project) in various territories. Beijing City Railway and its subsidiaries would be able to assist in providing services to the Vix Group relating to the AFC system in the South East Asian countries as the hourly rate of the relevant staff to be deployed by Beijing City Railway and its subsidiaries is lower than that of the relevant staff from the Vix Group.

Although the Group has cost advantage over the Vix Group in providing the ERG HK New Agreement Services under certain projects, the Group could not submit bidding proposals for such projects as the Group does not possess the qualification, relevant past experience or financial track records as required by such tenders.

Having considered that the reciprocal provision of the New Services would on one hand allow Beijing City Railway and its subsidiaries to utilise the expertise and experience of the Vix Group in the ACC System and AFC System to provide stable and high quality technical

LETTER FROM THE BOARD

support services and on the other hand bring in another revenue stream to the Group in the event when Beijing City Railway and its subsidiaries provides the ERG HK Agreement New Services to the Vix Group in the various territories with cost advantages, the Directors consider such arrangement under the Supplemental Licensing Agreements would bring mutual benefit to both the Vix Group and the Group.

Under the arrangement set out in Supplemental Licensing Agreements, Vix Holdings or any of its subsidiaries, including but not limited to Vix IP and Vix East Asia on one hand, and Beijing City Railway or any of its subsidiaries including but not limited to ERG BJ and ERG HK on the other hand, would be able to act as provider or customer (as the case may be) for the provision of the New Services and Licensor Technology. This arrangement would provide parties with more flexibility to arrange for the provision of various services as set out in the Principal Licensing Agreements as supplemented by the Supplemental Licensing Agreements. Such arrangement would consolidate all continuing connected transactions involving the Licensor Technology and the New Services to be transacted between Vix Group and Beijing City Railway and its subsidiaries which would reduce the administrative time and expenses in relation to compliance with the GEM Listing Rules. The Supplemental Licensing Agreements were entered into by the respective parties in the ordinary course of business.

The Directors consider the expansion of scope of services under the Principal Licensing Agreements and increase in the annual caps for each of the three years ending 30 June 2015 pursuant to the Supplemental Licensing Agreements would not lead to any over-reliance on the Vix Group as the proposed transactions amounts of the Connected Continuing Transactions were not significant as a whole with reference to the total revenue of the Company, which amounts to less than 15% of the revenue of the Group for the year ended 30 June 2012.

Vix Holdings is a wholly owned subsidiary of Vix Transportation Systems Pty Ltd (“**Vix Transportation**”). Vix Transportation has given an irrevocable undertaking (the “**Vix Undertaking**”) in favour of the Group on 24 April 2012 pursuant to which Vix Transportation among others, (i) irrevocably undertakes to the Company that Vix Transportation shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation or its affiliates has a controlling interest or shareholding engage in any business or activity which competes or may compete with the business of the Group; and (ii) grants to the Group a first right of refusal to bid or provide a proposal for an opportunity in the scope of the Group’s business. The Vix Undertaking applies the Group’s business in the PRC, Hong Kong, Macau and Taiwan only. Based on the Vix Undertaking, the Directors consider the expansion of scope of services under the Principal Licensing Agreements and increase in the annual caps for each of the three years ending 30 June 2015 pursuant to the Supplemental Licensing Agreements would not lead to potential competition between the Vix Group and the Group.

Taking into account the above reasons for the Continuing Connected Transactions and the basis of proposed annual caps, the Directors (including the independent non-executive Directors) consider that:

- (a) the terms and conditions of each of the Supplemental Licensing Agreements were negotiated among the parties on an arm’s length basis and are normal commercial terms that are fair and reasonable;

LETTER FROM THE BOARD

- (b) the proposed annual caps in respect of each of the Supplemental Licensing Agreements for the three years ending 30 June 2015 as referred to above are fair and reasonable; and
- (c) the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

4. EGM

The Company will convene an EGM to be held at 11:00 a.m. on 13 November 2012 at the Conference Room, 10/F, 3rd Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People's Republic of China to consider the Continuing Connected Transactions. A notice of the EGM is set out on pages 39 to 40 of this circular.

ERG Greater China and its associates will abstain from voting on the resolutions approving the Supplemental Licensing Agreements and the related proposed annual caps which will be proposed at the EGM. As at the Latest Practicable Date, ERG Greater China held 481,267,527 shares in the Company, representing approximately 60.16% of the existing issued share capital of the Company. To the best knowledge, information and belief of the Directors, none of the persons (excluding ERG Greater China) who are required to abstain from voting at the EGM is holding any shares in the Company at the Latest Practicable Date.

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, branch share registrar and transfer office of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, the vote of the Independent Shareholders taken at the EGM to approve the Continuing Connected Transactions will be taken by poll, the results of which will be announced after the EGM.

5. RECOMMENDATION

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Hu Zhaoguang, Mr. Bai Jinrong and Dr. Kong Shin Long, Johnny, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Continuing Connected Transactions. Your attention is drawn to the advice of the Independent Board Committee set out in its letter set out on pages 19 to 20 of this circular. Your attention is also drawn to the letter of advice from Goldin to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the relevant proposed annual caps set out on page 21 to page 33 in this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Goldin, considers that the Supplemental Licensing Agreements are on normal commercial terms, and that the Continuing Connected Transactions are in the best interest of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the Continuing Connected Transactions and the relevant proposed annual caps of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and recommend that the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Continuing Connected Transactions at the EGM.

6. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
**China City Railway Transportation
Technology Holdings Company Limited**
Cao Wei
Chief Executive Officer

中國城市軌道交通科技控股 
CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY
中國城市軌道交通科技控股有限公司
**CHINA CITY RAILWAY TRANSPORTATION
TECHNOLOGY HOLDINGS COMPANY LIMITED**
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8240)

26 October 2012

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders and dated 26 October 2012 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the GEM Listing Rules, the transactions contemplated under (i) the ERG BJ Supplemental Licensing Agreement among Vix IP, ERG BJ, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time); and (ii) the ERG HK Supplemental Licensing Agreement among Vix IP, ERG HK, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) constitute continuing connected transactions for the Company and are thus subject to the approval of the Independent Shareholders at the EGM.

We have been appointed by the Board to consider the terms of the Supplemental Licensing Agreements and to advise the Independent Shareholders in connection with the Continuing Connected Transactions as to whether, in our opinion, their terms and the relevant proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned. Goldin has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board and the letter from Goldin as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of Goldin as set out in its letter of advice, we consider that the Supplemental Licensing Agreements are on normal commercial terms, and that the Continuing Connected Transactions are in the best interest of the Company and the Shareholders as a whole. We also consider that the Continuing Connected Transactions and its relevant proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Continuing Connected Transactions and the relevant annual caps at the EGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Hu Zhaoguang

Bai Jinrong

**Kong Shin Long,
Johnny**

Independent non-executive Directors

LETTER FROM GOLDIN

The following is the full text of the letter from Goldin Financial Limited setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Licensing Agreements and the proposed annual caps, which has been prepared for the purpose of inclusion in this circular.



Goldin Financial Limited
23/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

26 October 2012

*To the Independent Board Committee and the Independent Shareholders of
China City Railway Transportation Technology Holdings Company Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the continuing connected transactions contemplated under the Supplemental Licensing Agreements and the proposed annual caps thereof (the “Proposed Annual Caps”), details of which are set out in the letter from the Board (the “Letter from the Board”) as contained in the circular of the Company dated 26 October 2012 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 15 October 2012, the ERG BJ Supplemental Licensing Agreement was entered into among Vix IP, ERG BJ, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) to amend and supplement the ERG BJ Principal Licensing Agreement. On the same date, the ERG HK Supplemental Licensing Agreement was entered into among Vix IP, ERG HK, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) to amend and supplement the ERG HK Principal Licensing Agreement. Each of the ERG BJ Supplemental Licensing Agreement and the ERG HK Supplemental Licensing Agreement was entered into for the purpose of, among others, amending and supplementing the Principal Licensing Agreements including novation of obligations and rights of the parties thereto and expanding the scope of services under the Principal Licensing Agreements. The transactions contemplated under the Supplemental Licensing Agreements constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM GOLDIN

Based on the Proposed Annual Caps for the three years ending 30 June 2015, the Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company will seek the Independent Shareholders' approval for the Supplemental Licensing Agreements and the Proposed Annual Caps for the three years ending 30 June 2015 for the Continuing Connected Transactions at the EGM. ERG Greater China and their respective associates will abstain from voting on the resolutions approving the Supplemental Licensing Agreements and the Proposed Annual Caps which will be proposed at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Hu Zhaoguang, Mr. Bai Jinrong and Dr. Kong Shin Long, Johnny, being all independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the transactions contemplated under the Supplemental Licensing Agreements and the Proposed Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and whether the terms of the Supplemental Licensing Agreements and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

We, Goldin, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Licensing Agreements and the Proposed Annual Caps and to make a recommendation as to, among others, whether the transactions contemplated under the Supplemental Licensing Agreements and the Proposed Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, whether the terms of the Supplemental Licensing Agreements and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and as to voting in respect of the relevant resolutions at the EGM. Our appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the Supplemental Licensing Agreements. We have also reviewed certain information provided by the management of the Company relating to the operations and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Supplemental Licensing Agreements, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

LETTER FROM GOLDIN

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all information and documents which are currently available under present circumstances to enable us to reach an informed view regarding the terms of, and the reasons for, the Supplemental Licensing Agreements and the Proposed Annual Caps and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Supplemental Licensing Agreements and the Proposed Annual Caps and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders regarding the terms of the Supplemental Licensing Agreements and the Proposed Annual Caps, we have taken into account the following principal factors and reasons:

1. Background to, reasons for, and benefit of entering into the Supplemental Licensing Agreements

The Group through its subsidiaries, including but limited to Beijing City Railway and its subsidiaries, is principally engaged in the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Beijing and Hong Kong. ERG BJ is a wholly foreign-owned enterprise established under PRC law with limited liability whose entire equity interest is indirectly wholly-owned by the Company. ERG BJ is principally engaged in the design, implementation and maintenance of application solutions for centralizing various functions of public transport systems in Beijing.

Vix East Asia is a company incorporated in Hong Kong with limited liability whose entire issued share capital is indirectly held by Vix Transportation Systems Pty Ltd, an Australia-based company. The Vix Group is a world leading provider of auto fare collection technology, including payment processing, smart technology and associated hardware. The Vix Group has operations in Australia, the United States of America, Thailand and China. Vix East Asia is principally engaged in the business of the Vix Group in the East Asia region.

LETTER FROM GOLDIN

As disclosed in the prospectus of the Company dated 3 May 2012 (the “Prospectus”), the ERG BJ Principal Licensing Agreement was entered into between ERG BJ and Vix IP on 28 February 2012. On the same date, the ERG HK Principal Licensing Agreement was entered into between ERG HK and Vix IP. Vix IP is a wholly owned subsidiary of Vix Holdings, which in turn is indirectly held as to approximately 100% by Mr. Duncan Paul Saville, one of the Shareholders through his indirect interest in Vix Holdings. Accordingly, Vix IP is an associate of the Company under the GEM Listing Rules and thus will be regarded as connected person of the Company under the GEM Listing Rules. The transactions contemplated under such agreements constitute continuing connected transactions for the Company. As each of the percentage ratios (other than the profit ratio), where applicable, calculated by reference to Rule 19.07 of the GEM Listing Rules in respect of the license fee under the Principal Licensing Agreements paid by ERG HK and ERG BJ is less than 25% and the annual consideration is less than HK\$10 million, the transactions contemplated under the Principal Licensing Agreements are exempt from the then Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. The Stock Exchange had granted to the Company waiver from compliance with the announcement requirements related to the non-exempt continuing connected transactions under the GEM Listing Rules. The Principal Licensing Agreements were both for a term commencing from 28 February 2012 and ending on 20 July 2014, subject to renewal and negotiation upon expiry every three years pursuant to the terms of the Principal Licensing Agreements.

The Board announces that on 15 October 2012, the ERG BJ Supplemental Licensing Agreement was entered into among Vix IP, ERG BJ, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) to amend and supplement the ERG BJ Principal Licensing Agreement. Pursuant to the ERG BJ Principal Licensing Agreement, Vix IP, as licensor, granted to ERG BJ, as licensee, a non-exclusive and non-transferable license to use the BJ Licensor Technology for a term commencing from 28 February 2012 and ending on 20 July 2014, subject to renewal and negotiation upon expiry every three years pursuant to the terms therein. The territory in which the ERG BJ Principal Licensing Agreement covered include the PRC. In addition, Vix IP might provide support development services to ERG BJ subject to support charges, or alternatively, ERG BJ might provide additional services (“BJ Principal Additional Services”) that are necessary for development of or additions to the ERG BJ Licensor Technology subject to additional charges during the terms of the ERG BJ Principal Licensing Agreement.

On the same date, the ERG HK Supplemental Licensing Agreement was entered into among Vix IP, ERG HK, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) to amend and supplement the ERG HK Principal Licensing Agreement. Pursuant to the ERG HK Principal Licensing Agreement, Vix IP, as licensor, granted to ERG HK, as licensee, a non-exclusive and non-transferable license to use the HK Licensor Technology for a term commencing from 28 February 2012 and ending on 20 July 2014, subject to renewal and negotiation upon expiry every three years pursuant to the terms therein. The territory in which the ERG HK Principal Licensing Agreement covered

LETTER FROM GOLDIN

include Hong Kong, Macau and Taiwan. In addition, Vix IP might provide support development services to ERG HK subject to support charges, or alternatively, ERG HK might provide additional services (“HK Principal Additional Services”) that are necessary for development of or additions to the ERG HK Licensor Technology subject to additional charges during the terms of the ERG HK Principal Licensing Agreement.

Each of the ERG BJ Supplemental Licensing Agreement and the ERG HK Supplemental Licensing Agreement was entered into for the purpose of, among others, amending and supplementing the Principal Licensing Agreements including novation of obligations and rights of the parties thereto and expanding the scope of services under the Principal Licensing Agreements. The transactions contemplated under the Supplemental Licensing Agreements constitute continuing connected transactions to the Company under Chapter 20 of the GEM Listing Rules.

As disclosed in the Letter from the Board, under the arrangement set out in the Supplemental Licensing Agreements, Vix Holdings or any of its subsidiaries, including but not limited to Vix IP and Vix East Asia on one hand, and Beijing City Railway or any of its subsidiaries including but not limited to ERG BJ and ERG HK on the other hand, would be able to act as provider or customer (as the case may be) for the provision of the New Services and Licensor Technology. The New Services includes the technical services in relation to the operation, upgrade and support and maintenance of the AFC System and the technical services in relation to the operation, upgrade, support and maintenance and optimisation of the ACC System of Beijing Subway which are the subject services provided by the Vix Group to ERG BJ and ERG HK under the the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement respectively. As advised by the management of the Company, Beijing City Railway and its subsidiaries has been providing the New Services and/or services similar in nature to the Vix Group which amounted to approximately HK\$4.09 million and approximately HK\$4.23 million for the year ended 30 June 2011 and 2012 respectively, in relation to, among others, the provision of design and implementation of application solution services for the Bangkok smartcard system. As confirmed by the management of the Company, it is expected that there would not be any overlapping of services since Beijing City Railway and its subsidiaries would provide the New Services relating to the automated fare collection system in various territories with cost advantage including but not limited to the South East Asian countries while the Vix Group has competitive advantage in providing the New Services in the PRC considering its familiarity of the ACC System. As advised by the management of the Company, in view of the expected increase in the transactions of the New Services between Beijing City Railway and its subsidiaries and the Vix Group (details of which were discussed under the section headed “Proposed Annual Caps” below), such arrangement would provide the parties with more flexibility to arrange for the provision of various services as set out in the Principal Licensing Agreements as supplemented by the Supplemental Licensing Agreements. Such arrangement would consolidate all continuing connected transactions involving the Licensor Technology and the New Services to be transacted between the Vix Group and Beijing City Railway and its subsidiaries which would reduce the administrative time and expenses in relation to compliance with the Listing Rules, and in our view is beneficial to the Company and the Shareholders as a whole. Accordingly, we are of the view that the transactions under the Supplemental Licensing Agreements have been and will be carried out in the ordinary and usual course of business of the Group.

LETTER FROM GOLDIN

Vix Holdings is a wholly-owned subsidiary of Vix Transportation Systems Pty Ltd (“Vix Transportation”). Vix Transportation has given an irrevocable undertaking (the “Vix Undertaking”) in favour of the Group on 24 April 2012 pursuant to which Vix Transportation among others, (i) irrevocably undertakes to the Company that Vix Transportation shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation or its affiliates has a controlling interest or shareholding engage in any business or activity which competes or may compete with the business of the Group; and (ii) grants to the Group a first right of refusal to bid or provide a proposal for an opportunity in the scope of the Group’s business. The Vix Undertaking applies to the Group’s business in the PRC, Hong Kong, Macau and Taiwan only. Based on the Vix Undertaking, the Directors consider the expansion of scope of services under the Principal Licensing Agreements and increase in the annual caps for each of the three years ending 30 June 2015 pursuant to the Supplemental Licensing Agreements would not lead to potential competition between the Vix Group and the Group.

ERG BJ has been providing maintenance and technical support services to the Beijing Subway in relation to both the software applications and other software and hardware of the ACC System since its establishment in 2006. The ACC System from time to time requires the Optimisation Project Technical Service due to, among others, the increase in the usage of the Beijing Subway leading to larger capacity and improvement in efficiency requirements of the ACC System. For the daily operation and maintenance of the ACC System, the ACC System Project Technical Service is required, i.e. technical services in relation to the operation of the ACC System of Beijing Subway which includes, among others, ACC System application software support, ACC System emergency support, software and hardware consultation support and software tools ongoing support. The Group has been providing maintenance and support services for the AFC System to several public transportation operators in Hong Kong and the Group has from time to time engaged the Vix Group to provide the AFC System Project Technical Service considering its extensive experience and expertise in automated fare collection system. Since the Vix Group is the owner and developer of the technology solutions in relation to the ACC System and an international provider of market-leading products and services for public transportation, we are of the view that the Vix Group has unparalleled competitive advantage in providing such services considering its familiarity of the ACC System and the engagement of the Vix Group to provide such services will enable the Group to fully utilise the expertise and experience of the Vix Group in the ACC System and AFC System to provide stable and high quality operation support services. As disclosed in the Prospectus, the ERG BJ Principal Licensing Agreement and ERG HK Principal Licensing Agreement were entered to grant the right to ERG BJ and ERG HK for the usage of the licensed technologies relating to the ACC System and AFC System respectively, which is essential for the future development of the Group since it has been exploring opportunities for the operation of automated fare collection system in new subway lines. On the other hand, each of ERG HK and ERG BJ, with the necessary know-how and relevant experience accumulated throughout years of operation, has the capability to provide the Vix Group with the New Services at a lower cost in various territories, which in our view would bring in another revenue stream to the Group and is in the interests of the Company and the Shareholders as a whole. Having considered that the provision of the New Services in the respective territories that each of

LETTER FROM GOLDIN

Beijing City Railway and its subsidiaries and the Vix Group has cost advantage/competitive advantage would on one hand allow Beijing City Railway and its subsidiaries to utilise the expertise and experience of the Vix Group in the ACC System and AFC System to provide stable and high quality operation support services and on the other hand bring in another revenue stream to the Group, we are of the view that such arrangement is in the interests of the Company and the Shareholders as a whole and is fair and reasonable.

The Directors consider the expansion of scope of services under the Principal Licensing Agreements and increase in the annual caps for each of the three years ending 30 June 2015 pursuant to the Supplemental Licensing Agreements would not lead to any over-reliance on the Vix Group. Having considered that each of the Proposed Annual Caps for the three years ending 30 June 2015 accounts for less than 15% of the revenue of the Group for the year ended 30 June 2012, we concur with the Directors' view that it would not lead to any over-reliance concern.

Having considered the above, we are of the view that the entering into the Supplemental Licensing Agreements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. Major terms of the Supplemental Licensing Agreements

As advised by the management of the Company, the pricing basis of the license fee relating to the Licensor Technology shall be the greater of AUD250,000 (equivalent to approximately HK\$2,000,000) or 1% of the portion of the contract price attributable to the use of the Licensor Technology for future line automated fare collection systems within Beijing and Hong Kong, Macau and Taiwan and 1.5% of the portion of the contract price attributable to the use of the Licensor Technology for smart-card based fare collection systems activity in the rest of the PRC excluding line automated fare collection systems within Beijing. Regarding the New Services, the pricing basis shall be determined by the parties from time to time by reference to, among other factors, the complexity of the service to be provided as well as, where applicable, prevailing market rates of similar services estimated based on the hourly rate of the relevant staff to be designated for a project with reference to rates charged by independent third parties providing services of similar nature in the past experience of the Group. The service fee will be payable in line with the market practice and will be in general payable by instalments with the initial instalment paid upon the service notice takes effective and thereafter upon achievement of respective milestones in accordance with and as set out in the service notice.

In assessing the fairness and reasonableness of the terms (including the pricing basis and settlement term) of the New Services, we have reviewed the sample agreement (both the buyer and the joint providers thereof were independent third parties of the Company as at the date of the agreement as confirmed by the Directors), in relation to, among others, the provision of optimization and technical support services for the ACC System of subway line in Beijing similar to the Optimisation Project Technical Service and compared the terms with those of the Optimisation Project Technical Service Agreement. We noted that the terms offered by Vix East Asia to ERG BJ under the Optimisation Project Technical Service Agreement were not less favourable than that of the sample agreement. Having considered that the price of the New

LETTER FROM GOLDIN

Services will be determined based on the market rate with reference to rates charged by independent third parties providing services of similar nature in the past experience of the Group, we are of the view that the terms of the New Services are fair and reasonable under normal commercial terms. In addition, given the license fee would be the greater of AUD250,000 (equivalent approximately HK\$2,000,000) or 1% – 1.5% of the contract price, we are of the view that the rate is fair and reasonable considering the revenue to be generated from the projects to the Group through the adoption of the Licensor Technology.

As advised by the management of the Company, the Group will review the terms (including the pricing basis and settlement term) of transactions under the Supplemental Licensing Agreements and compare them with the terms of agreement entered into between independent third parties providing services of similar nature to ensure that the terms offered by Beijing City Railway and its subsidiaries to the Vix Group under the Supplemental Licensing Agreement is not less favourable to the Company than that offered between independent third parties. The Group will semi-annually review the total historical transaction amounts and estimate the amount of transactions that may possibly be incurred in the coming months to ensure that the Proposed Annual Caps not being exceeded. Having considered the aforesaid, we consider that there are adequate measures for internal control.

Having considered that (i) the transactions under the Supplemental Licensing Agreements have been and will be carried out by the Group in its ordinary and usual course of business; and (ii) the terms of the Supplemental Licensing Agreements are normal commercial terms and are not less favourable than those entered into between independent third parties, we are of the view that the terms of the Supplemental Licensing Agreements are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and is fair and reasonable.

3. Proposed Annual Caps

The existing annual caps under the Principal Licensing Agreements for each of the three years ending 30 June 2014 is AUD250,000 (approximately HK\$2,000,000). Under the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement, the maximum aggregate annual consideration for the provision of technical services for the two years ending 7 June 2014 is HK\$9,874,311 and HK\$1,783,738 respectively. The Optimisation Project Technical Service Agreement is a one-off transaction ending on 7 June 2013 while the ACC System Project Technical Service Agreement is a two-year agreement ending on 7 June 2014. The historical transactions were carried out under the Principal Licensing Agreements, the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement (the “Original Agreements”). The Supplemental Licensing Agreements will be enforced in parallel to each of the ACC System Project Technical Services Agreement and the Optimisation Project Technical Service Agreement.

Set out below are (i) the historical transaction amounts carried out under the Principal Licensing Agreements, the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement for the year ended 30 June 2012 and the three months ended 30 September 2012; (ii) the proposed annual caps for the provision of services

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by the Vix Group to Beijing City Railway and its subsidiaries contemplated under the Supplemental Licensing Agreements for the three years ending 30 June 2015; and (iii) the proposed annual caps for the provision of services by Beijing City Railway and its subsidiaries to the Vix Group contemplated under the Supplemental Licensing Agreements for the three years ending 30 June 2015:

	Historical transaction amounts		Proposed Annual Caps		
	For the year	For the three			
	ended	months ended			
	30 June	30 September	For the year ending 30 June		
	2012	2012	2013	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
Services provided by the Vix Group to Beijing City Railway and its subsidiaries	8,239,218	445,934	9,200,000	9,600,000	10,000,000
Services provided by Beijing City Railway and its subsidiaries to the Vix Group	-	-	13,800,000	14,400,000	15,000,000
Total	8,239,218	445,934	23,000,000	24,000,000	25,000,000

As disclosed in the Letter from the Board, the Proposed Annual Caps were determined by reference to (i) the amount of application solutions currently and to be implemented and potential projects to be undertaken by Beijing City Railway and its subsidiaries or the Vix Group; (ii) the estimated amount of time, manpower and level of technical expertise required under the technical services for relevant application solutions with reference to prior projects of similar nature; (iii) the expected growth in demand for application solution services from the expanding client base of Beijing City Railway and its subsidiaries or the Vix Group; (iv) the historical transaction amounts under the Principal Licensing Agreements, the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement; and (v) the positive outlook of the transportation systems the Group currently has business presence on, in particular Beijing, considering the growth of the number of subway passengers in recent years. In relation to the proposed annual caps for the provision of services by the Vix Group or Beijing City Railway and its subsidiaries contemplated under the Supplemental Licensing Agreements for the three years ending 30 June 2015, it is intended that Proposed Annual Caps will include, among others, the service fees in relation to the provision of (i) the ERG BJ Agreement New Services save for the technical services provided under the ACC System Project Technical Services Agreement or the Optimisation Project Technical Service Agreement during the terms of such agreements (i.e. from 8 June 2012 to 7 June 2013 or from 8 June 2012 to 7 June 2014 (as the case may be)); and (ii) the ERG BJ Agreement New Services including the technical services previously provided under the ACC System Project Technical Services Agreement or the Optimisation Project Technical Service Agreement upon the expiry of such agreements (i.e. from 8 June 2013 to 30 June 2015 or 8 June 2014 to 30 June 2015 (as the case may be)).

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As further advised by the management of the Company, the Proposed Annual Caps is estimated based on, among others, (i) the subway line projects that Beijing City Railway and its subsidiaries and the Vix Group has tendered; (ii) the prospective subway line projects to be tendered by Beijing City Railway and its subsidiaries and the Vix Group; and (iii) the estimated amount of time, manpower and hourly rate of the relevant staff to be deployed for those projects with reference to the historical transaction of the Group providing services of similar nature and the size and geographical location of those projects.

According to the 2012 annual report of the Company, the revenue of the Group for the year ended 30 June 2012 increased to approximately HK\$190.2 million from that of approximately HK\$72.0 million in prior year, representing a rise of approximately 164.2%, with profit attributable to equity shareholders of the Company for the year increased by approximately 99.4% to approximately HK\$80.7 million, and such robust growths were attributable to, among others, the growth in provision of design and implementation of application solution services including that for ACC System, and the provision of maintenance service for such application solutions implemented. As noted from the 2012 annual report of the Company, business in the PRC was the primary source of the Group's revenue as well as the key driver for growth, with revenue from external customers in the PRC surged to approximately HK\$168.3 million for the year ended 30 June 2012, contributing to more than 88% of the Group's total revenue for the year. As mentioned in the 2012 annual report of the Company, the Group has commenced and successfully won the tenders for the following application solution projects in relation to ACC System. With respect to operation in Beijing, the Group participated in the integration of four new lines of the Beijing Subway to the ACC System and the traffic control centre system (the "TCC System"). In addition, the Group has won the tender for the engineering project of phase II of the TCC System of Beijing subway, thereby further securing its market share in Beijing subway network. With respect to operation in Hong Kong, the Group has won tenders in relevant projects of MTR Corporation Limited in Hong Kong, and, as a subcontractor, undertook supplementary projects of ACC System for several subway lines in Bangkok, Thailand. Accordingly, we are of the view that the Group's business in relation to the provision of design, implementation and maintenance of application solution services including that for ACC system is on a growing trend.

In determining the Proposed Annual Caps relating to service provided by the Vix Group to Beijing City Railway and its subsidiaries, the management of the Company has taken into account the Group's projects in the pipeline, comprising existing projects and the prospective projects to be tendered by Beijing City Railway and its subsidiaries in Beijing considering the increase in traffic flow of subway passengers in the city. As advised by the management of the Company, it is expected that the application solutions for the ACC System being designed and implemented by the Group for new lines of transportation network would require various optimisation procedures for smooth integration between the ACC System and the transportation network, and that the existing ACC System integrated by the Group's application solution would require further optimization for better system efficiency and stability in order to cater for the increasing passenger flow facing the clients' transportation networks, in particular the Beijing Subway, the development status of which is discussed below. Furthermore, for the ongoing operation of ACC System under the Group's portfolio, the Group requires from the Vix

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Group various technical and engineering support, including software, hardware and emergency support, for each of the systems. As advised by the management of the Company, the nature and the underlying technology of such projects, in particular of the system integration of four new lines of the Beijing Subway and the phase II engineering project of the Beijing Subway, are similar to that under the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement, and therefore require similar amount of time and work from engineers and specialists, with relevant technical expertise and thereby hourly rate, for conducting post-integration optimisation procedures, which depends on the progress and condition of integration, and/or ongoing technical and engineering supports. Having considered the increase in traffic flow of subway passengers in Beijing, leading to the prospective optimization service of the ACC System to cater for the increase in usage of the system, and the requirements including the complexity and specifications of such projects with reference to experience from prior projects of similar nature, it is estimated that the potential amount of technical services required in relation to system optimisation and technical supports for the year ending 30 June 2013 would be similar to that of the historical transaction amounts carried out under the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement for the year ended 30 June 2012. Having considered the above, we are of the view that the Proposed Annual Caps relating to service provided by the Vix Group to Beijing City Railway and its subsidiaries could cater for the potential demand for technical services by Beijing City Railway and its subsidiaries from the Vix Group in relation to the optimisation as well as operation and is fair and reasonable.

On the other hand, the Group has also taken into account the outlook of the PRC transportation system in determining the Proposed Annual Caps. It is noted that the nationwide transportation system in the PRC has been facing increasingly heavy traffic alongside the country's rapid economic development. According to the 2011 China Statistical Yearbook (the "China Yearbook") published by the National Bureau of Statistics of China, the total annual passenger flow of all means of transportation in the country increased by approximately 9.7% to approximately 32.7 billion people in 2010. In particular, the railway network, including the subway network, of the capital city Beijing is facing increasing pressure in passenger flow, with annual passenger flow of railway network increased from approximately 1.4 billion people in 2009 to approximately 1.8 billion people in 2010, representing a year-on-year growth rate of approximately 28.6%, and a compounded annual growth rate of approximately 22.1% since 2005. Whilst to cope with the increasing usage of the Beijing railway network, the length of the railway network was increased by approximately 47.4% to 336 kilometers in 2010, with 449 units of new railway vehicles put into service, adding to a total of 2,463 units, the rate of development of the Beijing railway network still falls below the surge in passenger flow which, together with the substantial growth trend of traffic, leaves rooms for further network expansion. We were advised by the management of the Company that such increase in traffic is expected to lead to increasing demand for better transportation system in terms of operation scale, geographical coverage, efficiency and system stability, including integration, control and optimisation of automated fare collection clearing centre system, and accordingly, the increasing need for technical services by the ACC System application solutions implemented by the Group. Having considered the development trend of the Beijing railway network and its usage, we are of the view that the Proposed Annual Caps relating to service provided by the Vix Group to Beijing City Railway and its subsidiaries could cater for the potential demand for technical services by Beijing City Railway and its subsidiaries from Vix Group in relation to the optimisation as well as operation and is fair and reasonable.

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Regarding the Proposed Annual Caps relating to the services to be provided by Beijing City Railway and its subsidiaries to the Vix Group, the Company has taken into account the subway line projects that the Vix Group has tendered and is intended to tender for in the South East Asian countries, including but not limited to the new subway lines in Bangkok, Thailand and Manila, the Philippines. We have discussed with the management of the Company and conducted research from the public domain concerning the subway networks in Bangkok, Thailand and Manila, the Philippines. As advised by the management of the Company, the subject new subway line in Bangkok as tendered by the Vix Group is the Purple Line of Mass Rapid Transit (MRT) in the Bangkok Metropolitan Area. The Purple Line is one of the three extension/new lines under construction as part of the MRT expansion. Scheduled to be partially completed and operated in 2014, the Purple Line is the longest among the three lines, being 40 kilometres in length running across the northwestern suburb area and southern area of Bangkok. As for the potential project in Manila to be tendered by the Vix Group, we were given to understand that subject subway line is part of the expansion of Manila Light Rail Transit System (LRT) in Metro Manila for creating additional LRT exchange stations and connecting the network to more cities in Metro Manila. As advised by the management of the Company, the Vix Group would subcontract the services to Beijing City Railway and its subsidiaries, relating to, among others, programming and engineering of the automated fare collection system of those tendered subway line projects, considering the cost advantage of Beijing City Railway and its subsidiaries in providing such services and their familiarity of the technology of automated fare collection system developed by the Vix Group after a long term partnership. The Proposed Annual Caps relating to the services to be provided by Beijing City Railway and its subsidiaries to the Vix Group is determined with reference to the number of manpower and hourly rate of staff to be deployed by Beijing City Railway and its subsidiaries for those projects taking into account the past experience of the Group providing services of similar nature and the size and geographical location of those prospective subway line projects. Having considered the above, we are of the view that the Proposed Annual Caps relating to the services to be provided by Beijing City Railway and its subsidiaries to the Vix Group is fair and reasonable.

We note that the Group has utilised approximately 73.1% of the aggregate amount of the existing annual cap/annual consideration for the year ended 30 June 2013 of approximately HK\$11.87 million as of 30 September 2012, which represents approximately 51.6% of the proposed annual cap for the year ending 30 June 2013. It is also noted that the Proposed Annual Caps for each of the year ending 30 June 2014 and 30 June 2015 represents an increase of approximately 4.3% and approximately 4.2% from that of the respective prior period. Having considered (i) the growing trend of the Group's business in relation to the provision of design, implementation and maintenance of application solution services including that for ACC System; (ii) the expected growth in demand for application solution services from the expanding client base of the Group, including that of the existing projects and the prospective projects to be tendered; (iii) the services to be subcontracted by the Vix Group to Beijing City Railway and its subsidiaries relating to the automated fare collection system of subway line projects that the Vix Group has tendered and is intended to tender for in the South East Asian countries; and (iv) positive outlook of the PRC transportation system in particular Beijing railway network, we are of the view that the setting of the Proposed Annual Caps, after making reference to the aforesaid factors is fair and reasonable.

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CONDITIONS OF THE PROPOSED ANNUAL CAPS

There are review mechanisms of the Proposed Annual Caps pursuant to the Listing Rules such as the annual review by the independent non-executive Directors of the terms of the relevant transactions and the Proposed Annual Caps not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts. In addition, pursuant to the Listing Rules, each year the auditors of the Company must provide a letter to the Board confirming, among other things, that the relevant transactions are conducted in accordance with the Supplemental Licensing Agreements and that the Proposed Annual Caps not being exceeded. Pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of the Supplemental Licensing Agreements or the Proposed Annual Caps not being exceeded. As such, we are of the view that there are appropriate measures in place to govern the conduct of the transactions to be contemplated under the Supplemental Licensing Agreements and safeguard the interests of the Independent Shareholders.

RECOMMENDATIONS

Having considered the principal factors and reasons above, we are of the opinion that the entering into the Supplemental Licensing Agreements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, and that the terms of the Supplemental Licensing Agreements (including the Proposed Annual Caps) are normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Supplemental Licensing Agreements (including the Proposed Annual Caps).

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or in this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
Mr. Cao Wei ("Mr. Cao")	The Company	Interest in a controlled corporation	481,267,527 ordinary shares of HK\$0.01 each of the Company (the "Shares") (L) (Note 2)	–	60.16%
	The Company	Beneficial owner		800,000 Shares (L) (Note 5)	0.1%
	More Legend Limited ("More Legend") (Note 3)	Beneficial owner	37,500 ordinary shares of US\$1.0 each	–	75%
	ERG Greater China (Note 4)	Interest in a controlled corporation	28,000 ordinary shares of US\$1.0 each	–	56%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation
Mr. Chen Rui	The Company	Beneficial owner	–	800,000 Shares (L) (Note 5)	0.1%
Mr. Steven Bruce Gallagher	The Company	Beneficial owner	–	800,000 Shares (L) (Note 5)	0.1%

Notes:

1. The letter “L” represents the Director’s interests in the Shares and underlying Shares or its associated corporations.
2. These Shares were held by ERG Greater China. ERG Greater China, a company which is owned as to 30% by Vix East Asia, as to 56% by More Legend and as to 14% by Landcity Limited. More Legend is owned as to 75% by Mr. Cao and 25% by Ms. Wang Jiangping (“**Ms. Wang**”), the spouse of Mr. Cao. By virtue of the SFO, Mr. Cao is deemed as to be interested in the 481,267,527 Shares owned by ERG Greater China.
3. More Legend is the legal and beneficial owner of 56% of the entire issue share capital of ERG Greater China. Mr. Cao and Ms. Wang are the legal and beneficial owners as to 75% and 25%, respectively, of the entire issued share capital of More Legend. Mr. Cao is the sole director of More Legend.
4. ERG Greater China is held as to 30% by Vix East Asia, as to 56% by More Legend and as to 14% by Landcity Limited. Each of Mr. Cao, Mr. Chen Rui and Mr. Steven Bruce Gallagher is a director of ERG Greater China. Mr. Cao is the sole director of More Legend. Mr. Chen Rui is a director of Landcity Limited.
5. On 26 July 2012, each of Mr. Cao, Mr. Chen Rui and Mr. Steven Bruce Gallagher were granted 800,000 options under the share option scheme of the Company to subscribe for 800,000 Shares, exercisable at a price of HK\$0.656 per Share during a period from 26 July 2012 to 25 July 2017. These options are vested and become exercisable in three tranches in the proportion of 20%, 70% and 100% on 26 July 2013, 26 July 2014 and 26 July 2015 respectively.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of Share were as follows:

Name of Person	Number of Shares (<i>Note 1</i>)	Capacity	Approximate percentage of interest
ERG Greater China	481,267,527 Shares (L)	Beneficial owner (<i>Note 2</i>)	60.16%
More Legend	481,267,527 Shares (L)	Interest in a controlled corporation (<i>Notes 2 and 3</i>)	60.16%
Vix East Asia	481,267,527 Shares (L)	Interest of controlled corporation (<i>Notes 2 and 4</i>)	60.16%
Ms. Wang	481,267,527 Shares (L)	Interest of spouse (<i>Note 5</i>)	60.16%
Beijing Infrastructure Investment (Hong Kong) Limited (“ BII HK ”)	79,584,969 Shares (L)	Beneficial owner (<i>Note 6</i>)	9.95%
北京市基礎設施投資有限公 司(Beijing Infrastructure Investments Co., Ltd.) (“ BII ”)	79,584,969 Shares (L)	Interest of controlled corporation (<i>Note 7</i>)	9.95%

Notes:

- The letter “L” represents the person’s interests in the Shares.
- These Shares were held by ERG Greater China. Each of Mr. Cao, Mr. Chen Rui and Mr. Steven Bruce Gallagher is a director of ERG Greater China. ERG Greater China, a company which is owned as to 30% by Vix East Asia, as to 56% by More Legend and as to 14% by Landcity Limited. Mr. Cao is the sole director of More Legend. Mr. Chen Rui is a director of Landcity Limited.
- More Legend is the legal and beneficial owner of 56% of the entire issue share capital of ERG Greater China. Mr. Cao and Ms. Wang are the legal and beneficial owners as to 75% and 25%, respectively, of the entire issued share capital of More Legend. Mr. Cao is the sole director of More Legend.
- Vix East Asia is wholly owned by Vix Holdings. Mr. Steven Bruce Gallagher is a director of Vix East Asia.
- Ms. Wang is the spouse of Mr. Cao and is deemed to be interested in 481,267,527 Shares held by More Legend.
- BII HK is wholly-owned by BII. Dr. Tian Zhenqing is a director of BII HK.

7. BII is the legal and beneficial owner of the entire issued share capital of BII HK, a company established under the PRC law with limited liability and wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing municipality.

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of Share.

4. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2012, being the date to which the latest published audited financial statements of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, controlling Shareholder or their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been since 30 June 2012, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERT

Goldin is a corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activities.

Goldin has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, Goldin did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

Goldin did not have any interest, direct or indirect, in any assets which since 30 June 2012, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 4407, 44/F, COSCO Tower, 183 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to and including 12 November 2012:

- (a) the ERG BJ Supplemental Licensing Agreement;
- (b) the ERG HK Supplemental Licensing Agreement;
- (c) the ERG BJ Principal Licensing Agreement;
- (d) the ERG HK Principal Licensing Agreement;
- (e) the Optimisation Project Technical Service Agreement; and
- (f) the ACC System Project Technical Service Agreement.

10. MISCELLANEOUS

The English text of this circular shall prevail over its Chinese text.

NOTICE OF EGM



中國城市軌道交通科技控股有限公司
**CHINA CITY RAILWAY TRANSPORTATION
TECHNOLOGY HOLDINGS COMPANY LIMITED**
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8240)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China City Railway Transportation Technology Holdings Company Limited (the “**Company**”) will be held at the Conference Room, 10/F, 3rd Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People’s Republic of China on 13 November 2012 at 11:00 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following resolutions which will be proposed as ordinary resolutions:

- (1) “**THAT**, each as a separate resolution,
 - (a) the supplemental agreement (the “**ERG BJ Supplemental Licensing Agreement**”) dated 15 October 2012 (a copy of which will be produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and entered into among Vix IP Pty Ltd (“**Vix IP**”), 億雅捷交通系統(北京)有限公司 (ERG Transit Systems (Beijing) Ltd.), Vix Holdings Ltd (“**Vix Holdings**”) (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway Holdings Company Limited (“**Beijing City Railway**”) (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and the transactions contemplated thereby; and the relevant proposed annual capped amounts of the transactions contemplated under the ERG BJ Supplemental Licensing Agreement for the three years ending 30 June 2015 as shown in the Company’s circular dated 26 October 2012 be and the same are hereby approved;
 - (b) the supplemental agreement (the “**ERG HK Supplemental Licensing Agreement**”, together with ERG BJ Supplemental Licensing Agreement, collectively, “**Supplemental Licensing Agreements**”) dated 15 October 2012 (a copy of which will be produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) and entered into among Vix IP, ERG Transit Systems (HK) Limited, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and the transactions contemplated thereby; and the relevant proposed annual capped amounts of the transactions contemplated under the ERG HK Supplemental Licensing Agreement for the three years ending 30 June 2015 shown in the Company’s circular dated 26 October 2012 be and the same are hereby approved;

NOTICE OF EGM

and that any directors of the Company be and is hereby authorised to take any step and execute any other documents and to do all such acts or things as they consider necessary, desirable or expedient in connection with the Supplemental Licensing Agreements or any of the transactions contemplated thereby.”

Yours faithfully,
By order of the Board
**China City Railway Transportation
Technology Holdings Company Limited**
Cao Wei
Chief Executive Officer

Hong Kong, 26 October 2012

<i>Registered office:</i>	<i>Head office and principal place of business in the PRC:</i>	<i>Principal place of business in Hong Kong:</i>
Scotia Centre	Room 1705F1, Level 17	Unit 4407, 44/F
4th Floor	Qingyun Modern Plaza	COSCO Tower
P.O. Box 2804	Block 9, Mantingfang Garden	183 Queen’s Road Central
George Town	Qingyun Lane, Haidian District	Hong Kong
Grand Cayman KY1-1112	Beijing	
Cayman Islands	The PRC	

Notes:

- 1 A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
- 2 To be valid, the form of proxy and/or a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company’s Hong Kong branch registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 48 hours before the time of the meeting or any adjourned meeting.
- 3 Delivery of an instrument appointing a proxy should not preclude member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- 4 In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto to. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- 5 As at the date of this notice, the executive Directors are Mr. Cao Wei and Mr. Chen Rui; the non-executive Directors are Dr. Tian Zhenqing and Mr. Steven Bruce Gallagher; and the independent non-executive Directors are Mr. Hu Zhaoguang, Mr. Bai Jinrong and Dr. Kong Shin Long, Johnny.