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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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.

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.

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## **CONTINUING CONNECTED TRANSACTIONS**

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



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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Independent Board Committee is set out on page 19 of this circular. A letter from Goldin Financial containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 32 of this circular.

A notice convening the EGM to be held at the Conference Room, 9/F, 3rd Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People's Republic of China at 2:00 p.m. on Monday, 5 August 2013 is set out on pages 38 to 39 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.

17 July 2013

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## CHARACTERISTICS OF GEM

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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.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, 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
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Beijing Metro Network”	北京軌道交通路網管理有限公司 (Beijing Metro Network Administration Co., Ltd*), a company established under PRC law with limited liability whose entire issued share capital is owned by BII and principally engaged in the setting up and operating the railway transport command centre in Beijing
“Beijing Subway”	the transit rail network that serves urban and suburban districts of Beijing municipally
“BII”	北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Co., Ltd.*), a company established under PRC law with limited liability and wholly-owned by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality. BII is currently interested in the entire issued share capital of BII HK and Beijing Metro Network
“BII HK”	Beijing Infrastructure Investment (Hong Kong) Limited (京投 (香港) 有限公司), a wholly-owned subsidiary of BII incorporated under Hong Kong law with limited liability and one of the Shareholders which held approximately 24.50% of the issued share capital of the Company as at the Latest Practicable Date
“Board”	the board of Directors
“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 Growth Enterprise Market of the Stock Exchange

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## DEFINITIONS

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“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions constituted by the transactions contemplated under the Framework Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened for, among other matters, approving the Framework Agreement and the related proposed annual caps for the three years ending 30 June 2016 for the Continuing Connected Transactions
“Framework Agreement”	the framework agreement dated 25 June 2013 and entered into between the Company and Beijing Metro Network in relation to the provision of the Services
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Goldin Financial”	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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“ICC System”	information control centre system, a control and supervisory system which comprises the ACC System, the TCC System and the PCC System. The ICC System collects and manages in real-time all operational information collected from various stations within a public transport system and onboard equipment through its network, and performs, among others, traffic control, energy control, ancillaries management, passenger information system, communication control and resource management
“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 BII HK and its associates
“Latest Practicable Date”	12 July 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PCC System”	passenger information system control centre, a network-level system which centralises the functions of compiling and disseminating multimedia information and day-to-day operation data, receiving external information, and acting as information link between various lines within a public transport system with passenger interchange points
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholder (s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“TCC System” traffic control centre system, a network-level system whose functions include coordinating and supervising the respective control centres and operators of different lines, facilitating information exchange between the lines and operators, direct control in cases of emergency, contacting and coordinating with external public functions such as the police, fire stations and weather observatories

“%” per cent

\* *For identification purpose only*

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LETTER FROM THE BOARD

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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  
Luo Zhenbang

**Registered office:**

Floor 4, Willow House  
Cricket Square  
P.O. Box 2804  
Grand Cayman KY1-1112  
Cayman Islands

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

Room 1705F1, Level 17  
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

17 July 2013

**CONTINUING CONNECTED TRANSACTIONS**

*To the Shareholders*

Dear Sir or Madam,

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 25 June 2013 in relation to, among others, the Framework Agreement and the Continuing Connected Transactions thereunder.



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## LETTER FROM THE BOARD

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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 Financial to the Independent Board Committee and the Independent Shareholders, and the notice of the EGM.

### 2. CONTINUING CONNECTED TRANSACTIONS

As disclosed in the announcement of the Company dated 8 May 2013 and the circular of the Company dated 7 June 2013 in relation to the acquisition (“**Acquisition**”) of Innovation Holding Co., LTD., following the completion of the Acquisition on 28 June 2013, BII HK is entitled to exercise, or control the exercise of, more than 10% of the voting power at any general meeting of the Company and become a substantial shareholder and a connected person of the Company. BII is the sole beneficial shareholder of BII HK and Beijing Metro Network whereby Beijing Metro Network is a fellow subsidiary of BII HK. Accordingly, each of BII and Beijing Metro Network is an associate of BII HK, and therefore become connected persons of the Company under Chapter 20 of the GEM Listing Rules.

Further, as disclosed in the prospectus of the Company dated 3 May 2012, Beijing Metro Network was one of the major customers of the Company for each of the two years ended 30 June 2011. Beijing Metro Network, a company established for setting up and operating the railway transport command centre in Beijing, has been working closely with the Group regarding the two important network-level systems of the Beijing Subway, namely the ACC System and the TCC System, both in terms of the maintenance of the existing systems and the expansion of such systems. Subsequent to the Acquisition, BII HK and Beijing Metro Network (being an associate of BII HK) become connected persons of the Company and transactions between the Group and Beijing Metro Network may constitute connected transactions or continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Based on the proposed annual caps for the three years ending 30 June 2016, 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 Framework Agreement and the proposed annual caps for the three years ending 30 June 2016 for the Continuing Connected Transactions at the EGM.

BII HK and their respective associates will abstain from voting on the resolutions approving the Framework Agreement and the related proposed annual caps which will be proposed at the EGM. As at the Latest Practicable Date, BII HK held 233,777,063 shares in the Company, representing approximately 24.50% of the existing issued share capital of the Company. To the best knowledge, information and belief of the Directors, none of the persons (excluding BII HK) who are required to abstain from voting at the EGM is holding any shares in the Company as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### 3. FRAMEWORK AGREEMENT

#### Parties

- (i) the Company, an investment holding company and 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, as service provider; and
- (ii) Beijing Metro Network, principally engaged in the setting up and operating the railway transport command centre in Beijing, as customer.

#### Subject matter

Pursuant to the Framework Agreement, the Company agrees to provide, and procure members of the Group to provide (i) consultation and technical support services; (ii) maintenance services; and (iii) information technology support services and other ancillary services that parties thereto agree in writing from time to time for network-level systems including the ACC System, TCC System, PCC System and ICC System of the Beijing Subway (collectively, the “Services”), to Beijing Metro Network during the term of the Framework Agreement, provided that (i) the member of the Group is awarded the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm’s length regarding the commercial terms to be set out in the individual agreements for the Services.

Pursuant to the Framework Agreement, parties thereto will enter into individual agreements for the provision of the Services. Pursuant to the Framework Agreement, the terms (including the service fees) of the individual agreements to be entered into will be negotiated by the parties in good faith and will be determined by the parties from time to time under normal commercial terms in the ordinary course of business. The service fees offered by the Group shall be determined with reference to, among other factors, the prevailing market conditions, competition, gross profit margin, costs of sale, duration of project and the associated risk factors. In order to secure a reasonable profit margin for the Services to be provided by the Group to Beijing Metro Network, the senior management of the Group will assess the profitability of each tender before submission taking into account the gross profit margin of the historical transactions between Beijing Metro Network and the Group. The Group will also make reference to the gross profit margin for the Group’s relevant business segments relating to the provision of the Services, being (i) provision of design and implementation of application solution services; (ii) provision of maintenance of application solution services; and (iii) sales of application solution related hardware and spare parts.

The payment terms for the service fees will be set out in the individual agreements for the provision of the Services. The Directors expect such payment terms would be similar to those set out in the prior projects between the Group and Beijing Metro Network, which the contract sums are usually payable by Beijing Metro Network by instalments at different stages of the project. Down payment is usually payable upon

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## LETTER FROM THE BOARD

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signing of the project agreement (or shortly thereafter); depending on the expected duration and value of the project, part payment may be payable at completion of different stages of the project and when stage payment is payable, payment may be made after certain deliverables are available or certain milestones are reached. A majority part of the contract sum will be paid upon completion and acceptance of the relevant work by Beijing Metro Network, subject to any retention money (if any) which will be withheld by Beijing Metro Network until expiry of the warrant period for such project. To the best knowledge and belief of the Directors, the payment terms for the service fees set out above are in line with the market practices.

### **Term**

The Framework Agreement is dated 25 June 2013. The commencement of the Framework Agreement is conditional upon fulfillment of (i) the obtaining of the approval from the Independent Shareholders by the Company in relation to the Continuing Connected Transactions and the related transactions contemplated thereunder in accordance with the GEM Listing Rules; and (ii) the approval from Beijing Metro Network in relation to the Framework Agreement and the related transactions contemplated thereunder.

The Framework Agreement is of a term commencing from the date on which the conditions precedents are fulfilled and ending on 30 June 2016 (both days inclusive).

### **Proposed annual caps and historical transaction amounts**

The historical transactions were carried out under various agreements entered into between the Group and Beijing Metro Network in relation to provision of the Services. The following table sets out the historical transaction amounts for the provision of the Services by the Group to Beijing Metro Network for the two years ended 30 June 2012 and the nine months ended 31 March 2013:

	<b>Year ended 30 June</b>		<b>Nine months ended 31 March</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>
<i>(HK\$'000)</i>			
Historical transactions amounts	50,959	34,225	125,526

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## LETTER FROM THE BOARD

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The following table sets out the proposed annual caps for the provision of the Services by the Group to Beijing Metro Network for the three years ending 30 June 2016:

	<b>Year ending 30 June</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<i>(HK\$'000)</i>			
Proposed annual caps	220,000	230,000	240,000

### **Basis of the proposed annual caps**

The proposed annual caps for the Framework Agreement for the three years ending 30 June 2016 are determined by reference to (i) the outstanding contract amount of various agreements entered into between the Group and Beijing Metro Network; (ii) the estimated number of projects for the provision of the Services to be offered by Beijing Metro Network for tender for the three years ending 30 June 2016; (iii) the historical transaction amount under the various agreements entered into between the Group and Beijing Metro Network in relation to provision of the Services; and (iv) the outlook of the transportation system the Group currently has presence on, in particular Beijing.

Set out below is a summary table of various completed projects and ongoing projects between the Group and Beijing Metro Network since 30 June 2010 and up to 30 June 2013:

<b>Project name</b>	<b>Scope of service</b>	<b>Status as at 30 June 2013</b>	<b>Revenue recognised as at 31 March 2013 (%)</b>
北京軌道交通清算 管理中心應用系 統運維服務項目 (Maintenance services of application solution for the clearing center of Beijing Subway*)	Provision of maintenance of application solution services	Ongoing	52.5

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**LETTER FROM THE BOARD**

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<b>Project name</b>	<b>Scope of service</b>	<b>Status as at 30 June 2013</b>	<b>Revenue recognised as at 31 March 2013 (%)</b>
ACC、TCC硬件 設備及第三方軟 件運維服務項目 (Maintenance services of ACC System and TCC System hardware and third-party software*)	Provision of maintenance of application solution services	Ongoing	48.7
工程自動售檢票清 算管理中心 (ACC)系統採購 (ACC System procurement project*)	Provision of design and implementation of application solution services	Completed	100
房山線接入ACC、 TCC系統項目 (Integration project of Fangshan Line into ACC System and TCC System*)	Provision of design and implementation of application solution services	Completed	100
15號線接入 ACC、TCC系 統項目 (Integration project of Line No.15 into ACC System and TCC System*)	Provision of design and implementation of application solution services	Ongoing	65

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**LETTER FROM THE BOARD**

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<b>Project name</b>	<b>Scope of service</b>	<b>Status as at 30 June 2013</b>	<b>Revenue recognised as at 31 March 2013 (%)</b>
亦莊線接入ACC、 TCC系統項目 (Integration project of Yizhuang Line into ACC System and TCC System*)	Provision of design and implementation of application solution services	Completed	100
昌平線接入ACC、 TCC系統項目 (Integration project of Changping Line into ACC System and TCC System*)	Provision of design and implementation of application solution services	Ongoing	80.0
大興線接入ACC、 TCC系統項目 (Integration project of Daxing Line into ACC System and TCC System*)	Provision of design and implementation of application solution services	Completed	100
北京市軌道交通自 動售檢票清算管 理中心(ACC)系 統尾工工程 (Engineering work for ACC System of Beijing Subway*)	Provision of design and implementation of application solution services	Completed	100

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**LETTER FROM THE BOARD**

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<b>Project name</b>	<b>Scope of service</b>	<b>Status as at 30 June 2013</b>	<b>Revenue recognised as at 31 March 2013 (%)</b>
8號線二期、9號線、6號線一期、10號線二期接入ACC/TCC系統項目 (Integration project of Phase 2 of Line No.8, Line No.9, Phase 1 of Line No. 6 and Phase 2 of Line No. 10 into ACC System and TCC System*)	Provision of design and implementation of application solution services	Ongoing	87.8
北京市軌道交通指揮中心二期工程AFC檢測中心系統工程 (技術服務部份) (Engineering work for the AFC test centre, Phase II of TCC System of Beijing Subway (technical service) *)	Provision of design and implementation of application solution services	Ongoing	85.2

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**LETTER FROM THE BOARD**

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<b>Project name</b>	<b>Scope of service</b>	<b>Status as at 30 June 2013</b>	<b>Revenue recognised as at 31 March 2013 (%)</b>
北京軌道交通信息安全等級保護備件採購項目 (Information security protection spares parts procurement projects*)	Sales of application solution related hardware and spare parts	Completed	100
指揮調度系統備品備件採購項目 (Command and control system spare parts procurement projects*)	Sales of application solution related hardware and spare parts	Completed	100
北京軌道交通清算管理中心備品備件採購項目 (Clearing center spare parts procurement projects*)	Sales of application solution related hardware and spare parts	Completed	100
網絡備品備件採購項目 (Network products spare parts procurement project*)	Sales of application solution related hardware and spare parts	Completed	100
主機備品備件採購項目 (Host computer spare parts procurement project*)	Sales of application solution related hardware and spare parts	Completed	100



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**LETTER FROM THE BOARD**

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<b>Project name</b>	<b>Scope of service</b>	<b>Status as at 30 June 2013</b>	<b>Revenue recognised as at 31 March 2013 (%)</b>
北京市軌道交通指揮中心二期工程ACC生產系統擴容、TCC系統擴容、信息中心系統工程設備採購項目 (Procurement project for facilities for expansion of ACC System and TCC System and ICC System, Phase II of TCC System of Beijing Subway*)	Sales of application solution related hardware and spare parts	Ongoing	89.6
北京市軌道交通指揮中心二期工程AFC檢測中心系統工程(硬件採購部分) (Engineering work for the AFC test centre, Phase II of TCC System of Beijing Subway (procumbent of hardware) *)	Sales of application solution related hardware and spare parts	Ongoing	88.2

In determining the contract sum for current and potential projects for the provision of the Services by the Group to Beijing Metro Network, the Group would estimate the amount of technical services required by considering the factors including the time, manpower, the hourly rate of the relevant staff to be deployed for those projects which varies according the level of technical expertise, with reference to the prior projects and historical transactions of the Group which provides services of similar nature, size and geographical location. The Group would also take into account the cost estimates for spare parts and other equipment based on the historical market price and the market trend.

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## LETTER FROM THE BOARD

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The outstanding contract amount of the existing agreements entered between the Group and Beijing Metro Network amounted to approximately HK\$62 million as at the Latest Practicable Date, representing over 28% of the proposed annual cap under the Framework Agreement for the year ending 30 June 2014, which is expected to be delivered by the Group to Beijing Metro Network by 30 June 2014. A majority of the proposed annual caps under the Framework Agreement relates to the anticipated contract amount of potential projects that are already at the advanced stage of discussion, including that of the PCC System and the ICC System for the Beijing Subway, the total contract amount of which is expected to be around HK\$300 million. Moreover, the Group estimates that there will be nine new subway lines to be integrated into the ACC System and TCC System by 30 June 2016, leading to demand for the Services for integration and the related maintenance services. The Directors consider the Group is in an advantageous position for being awarded the anticipated contract in relation to the provision of the Services as (i) the Group understands the requirements (including the costs to be incurred) of each type of the Services for tender as the business relationship between the Group and Beijing Metro Network commenced in 2006; and (ii) 億雅捷交通系統(北京)有限公司 (ERG Transit Systems (Beijing) Ltd.\*), a wholly-owned subsidiary of the Group, has been the only company engaged in providing services in relation to the establishment, integration and maintenance of the ACC System of the Beijing Subway, and together with 北京京投億雅捷交通科技有限公司 (Beijing BII-ERG Transportation Technology Co., Ltd.\*) (“**BII ERG**”), were the only companies in the PRC that possessed the licensed technology from Vix Transportation Systems Pty Ltd and its subsidiaries, owner of the licensed technology in relation to the ACC System currently used by Beijing Subway.

In determining the proposed annual caps for each of the year ending 30 June 2016, the Group has taken into account the outlook of Beijing’s transportation system. The Directors noted that Beijing’s transportation system has been facing increasingly heavy traffic alongside the city’s rapid economic development, in particular the railway traffic. According to the Beijing Statistical Yearbook 2012 published by the Beijing Municipal Bureau of Statistics, 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 1.8 billion visits in 2010 to approximately 2.2 billion visits in 2011, representing a year-on-year growth rate of approximately 22.22%, and a compounded annual growth rate of approximately 25.55% since 2006. Whilst to cope with the increasing usage of the Beijing railway network, the length of the railway network was increased by approximately 10.71% to 372 kilometers in 2011, with 387 units of new railway vehicles put into service, adding to a total of 2,850 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. According to 北京市“十二五”時期交通發展建設規劃 (the Beijing Twelfth-Five Year Plan For The Traffic Development and Construction\*), issued by the Beijing Municipal Commission of Development and Reform in July 2012, the length of subway network in Beijing is targeted to increase from 336 kilometers as at 31 December 2010 to 660 kilometers at the end of 2015, representing an increase of approximately 96.4% during such period. It is estimated that Beijing will complete the construction of 10 new subway lines by the end of 2015. The Directors expect that such increase in traffic and the development plan for the construction of new subway lines would lead to increasing demand for better transportation system in terms of operation scale, geographical coverage, efficiency and system stability, including integration,

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## LETTER FROM THE BOARD

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control and optimisation of automated fare collection clearing centre system, and accordingly, the increasing need for maintenance services, design and application solutions to be provided by the Group to Beijing Metro Network, hence the demand for the Services to be provided by the Group to Beijing Metro Network would be substantial to cater for the rapid growth of the metro network in Beijing.

### **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.

There has been a long-standing business relationship between Beijing Metro Network and the Group. The Directors consider Beijing Metro Network is a reliable business partner and further business cooperation will be beneficial to and provide a steady income stream to the Company.

The Framework Agreement was entered into by the Group in the ordinary course of business and the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group.

The Directors (except the independent non-executive Directors whose view will be formed after obtaining the advice of the independent financial adviser) consider that:

- (a) the terms and conditions of the Framework Agreement were negotiated among the parties on an arm's length basis and are normal commercial terms that are fair and reasonable;
- (b) the proposed annual caps in respect of the Framework Agreement for the three years ending 30 June 2016 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 the Conference Room, 9/F, 3rd Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People's Republic of China on Monday, 5 August 2013 at 2:00 p.m. to consider the Continuing Connected Transactions. A notice of the EGM is set out on pages 38 to 39 of this circular.

BII HK and their respective associates will abstain from voting on the resolutions approving the Framework Agreement and the related proposed annual caps which will be proposed at the EGM. As at the Latest Practicable Date, BII HK held 233,777,063 shares in the Company, representing approximately 24.50% of the existing issued share capital of the Company. To the best knowledge, information and belief of the Directors, none of the persons (excluding BII HK) who are required to abstain from voting at the EGM is holding any shares in the Company at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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Dr. Tian Zhenqing, a non-executive Director, was a director of BII HK. Beijing Metro Network is a fellow subsidiary of BII HK and also the customer to the Continuing Connected Transactions. Accordingly, Dr. Tian Zhenqing was interested in the transactions contemplated under the Framework Agreement and had abstained from Board meeting approving the Framework Agreement.

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.

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 Mr. Luo Zhenbang, 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 page 19 of this circular. Your attention is also drawn to the letter of advice from Goldin Financial 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 20 to page 32 in this circular.

The Independent Board Committee, having taken into account the advice of Goldin Financial, considers that the Framework Agreement is 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 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 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)**

17 July 2013

*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 17 July 2013 (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 the Framework Agreement entered into between the Company and Beijing Metro Network 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 Framework Agreement 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 Financial has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from Goldin Financial as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of Goldin Financial as set out in its letter of advice, we consider that the Framework Agreement is 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      Luo Zhenbang**

*Independent non-executive Directors*

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## LETTER FROM GOLDIN FINANCIAL

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*The following is the full text of the letter from Goldin Financial setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions 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

17 July 2013

*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 Continuing Connected Transactions, and the relevant 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 17 July 2013 (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.

As disclosed in the announcement of the Company dated 8 May 2013 and the circular of the Company dated 7 June 2013 in relation to the acquisition (“Acquisition”) of Innovation Holding Co., LTD., following the completion of the Acquisition on 28 June 2013, BII HK is entitled to exercise, or control the exercise of, more than 10% of the voting power at any general meeting of the Company and become a substantial shareholder and a connected person of the Company. BII is the sole beneficial shareholder of BII HK and Beijing Metro Network whereby Beijing Metro Network is a fellow subsidiary of BII HK. Accordingly, each of BII and Beijing Metro Network is an associate of BII HK, and therefore become connected persons of the Company under Chapter 20 of the GEM Listing Rules.

Beijing Metro Network was one of the major customers of the Company for each of the two years ended 30 June 2011. Subsequent to the Acquisition, BII HK and Beijing Metro Network (being an associate of BII HK) become connected persons of the Company and

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## LETTER FROM GOLDIN FINANCIAL

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transactions between the Group and Beijing Metro Network may constitute connected transactions or continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

On 25 June 2013, the Framework Agreement was entered into between the Company and Beijing Metro Network to regulate the business relationships between the parties thereto, for a term commencing from the date on which the conditions precedents to the Framework Agreement are fulfilled and ending on 30 June 2016 (both days inclusive). The transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Based on the Proposed Annual Caps for the three years ending 30 June 2016, 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 Framework Agreement and the Proposed Annual Caps for the three years ending 30 June 2016 for the Continuing Connected Transactions at the EGM.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising Mr. Hu Zhaoguang, Mr. Bai Jinrong and Mr. Luo Zhenbang, being all independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the Continuing Connected Transactions 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 Framework Agreement and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

We, Goldin Financial, 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 Continuing Connected Transactions and the Proposed Annual Caps and to make a recommendation as to, among others, whether the Continuing Connected Transactions 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 Framework Agreement 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 resolution at the EGM.

### **BASIS OF OUR ADVICE**

In formulating our opinion and recommendations, we have reviewed, inter alia, the Framework Agreement, the annual report of the Company for the financial year ended 30 June 2012 (the "Annual Report 2012"), the interim report of the Company for the six months ended 31 December 2012 (the "Interim Report 2013") and the third quarterly report of the Company for the nine months ended 31 March 2013. We have also reviewed certain information provided

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## LETTER FROM GOLDIN FINANCIAL

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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 Framework Agreement, 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.

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 Framework Agreement 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, at the date of the Circular.

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 Framework Agreement 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 Framework Agreement and the Proposed Annual Caps, we have taken into account the following principal factors and reasons:

#### **1. Background to and reasons for entering into the Framework Agreement**

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.

Beijing Metro Network, a company principally engaged in setting up and operating the railway transport command centre for the transit rail network in Beijing and wholly-owned by BII, the 100% owner of BII HK which held approximately 24.50% of the issued share capital



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## LETTER FROM GOLDIN FINANCIAL

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of the Company as at the Latest Practicable Date, is one of the Group's major customers. For the financial year ended 30 June 2012 and for the nine months ended 31 March 2013, revenue from Beijing Metro Network amounted to approximately HK\$34.23 million and approximately HK\$125.53 million, representing approximately 17.99% and approximately 64.66% of the Group's revenue for the respective periods. The business relationship between the Group and Beijing Metro Network commenced in 2006 when 億雅捷交通系統(北京)有限公司 (ERG Transit Systems (Beijing) Ltd.\*, "ERG BJ"), an indirectly wholly owned subsidiary of the Company, participated in the setting up of the first ACC System in Beijing for the transit rail network that serves the Beijing Subway. The transactions between the Group and Beijing Metro Network have been carried out in the ordinary and usual course of business of the Group, and have been a major source of the Group's revenue as demonstrated above. As at the Latest Practicable Date, ERG BJ has been the only company engaged in providing services in relation to the establishment, integration and maintenance of the ACC System of the Beijing Subway, and together with 北京京投億雅捷交通科技有限公司 (Beijing BII-ERG Transportation Technology Co., Ltd.\*, "BII ERG"), were the only companies in the PRC that possessed the licensed technology from Vix Transportation Systems Pty Ltd and its subsidiaries, owner of the licensed technology in relation to the ACC System currently used by Beijing Subway.

As advised by the management of the Company, it is the Group's business strategy to consolidate and strengthen its market position in the Beijing Subway in order to capitalise on the expanding transportation system in particular railway network in Beijing, with two new railway lines of Beijing Subway expected to be integrated into the ACC System and the TCC System in 2013 according to the Twelfth Five-Year-Plan of Beijing as mentioned in the Interim Report 2013. The business relationship with Beijing Metro Network plays a critical role in the aforesaid strategy and in expanding the Group's client base cross other major cities in the PRC.

To regulate the business relationships between the relevant parties, on 25 June 2013, the Framework Agreement was entered into between the Company and Beijing Metro Network, pursuant to which the Company agrees to provide, and procure members of the Group to provide the (i) consultation and technical support services; (ii) maintenance services; and (iii) information technology support services and other ancillary services that parties thereto agree in writing from time to time for network-level systems including the ACC System, TCC System, PCC System and ICC System of the Beijing Subway (collectively, the "Services"), to Beijing Metro Network during the term of the Framework Agreement.

Having considered that the transactions between Beijing Metro Network and the Group have been carried out in their ordinary and usual course of business, with Beijing Metro Network being one of the major customers of the Group for the two financial years ended 30 June 2012 and for the nine months ended 31 March 2013, we are of the view that the entering into of the Framework Agreement 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 Framework Agreement**

Pursuant to the Framework Agreement, parties thereto will enter into individual agreement for the provision of the Services. Pursuant to the Framework Agreement, the terms (including the service fees) of the individual agreements to be entered into will be negotiated

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## LETTER FROM GOLDIN FINANCIAL

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by the parties in good faith and will be determined by the parties from time to time under normal commercial terms in the ordinary course of business. The service fees offered shall be determined with reference to, among other factors, the prevailing market conditions, competition, gross profit margin, costs of sale, duration of project and the associated risk factors. The payment terms for the service fees will be set out in the individual agreements for the provision of the Services. The Directors expect such payment terms would be similar to those set out in the prior projects between the Group and Beijing Metro Network, which the contract sums are usually payable by Beijing Metro Network by instalments at different stages of the project. Down payment is usually payable upon signing of the project agreement (or shortly thereafter); depending on the expected duration and value of the project, part payment may be payable at completion of different stages of the project and when stage payment is payable, payment may be made after certain deliverables are available or certain milestones are reached. A majority part of the contract sum will be paid upon completion and acceptance of the relevant work by Beijing Metro Network, subject to any retention money (if any) which will be withheld by Beijing Metro Network until expiry of the warrant period for such project. To the best knowledge and belief of the Directors, the payment terms for the service fees set out above are in line with the market practices.

We were given to understand that Beijing Metro Network generally selects providers for the provision of the Services through tendering process, of which an independent tender service provider is appointed for the review and analysis of submitted tenders. We were given to understand that, for the transactions under the Framework Agreement, the Group will formulate the terms of potential projects taking into account various factors, including but not limited to budget, gross profit margin, settlement terms, timetable, competitive landscape, qualification requirements, software and hardware components and related technical and business architecture and risk with reference to the similar type of services transacted between Beijing Metro Network and the Group before Beijing Metro Network becoming a connected person of the Company.

Since the Group did not provide the Services to independent third parties before the Acquisition, comparison of the terms of the Services offered to Beijing Metro Network with that offered to independent third parties is not available. However, we have obtained the Group's analysis on the transactions with Beijing Metro Network relating to the provision of Services and noted that the gross profit margins of the same category of transactions fell within a rather stable band, and were in general consistent with the Group's gross profit margin of the relevant business segments, being (i) provision of design and implementation of application solution services; (ii) provision of maintenance of application solution services; and (iii) sales of application solution related hardware and spare parts.

As advised by the management of the Company, in order to secure a reasonable profit margin for the Services to be provided by the Group to Beijing Metro Network, the senior management of the Group will assess the profitability of each tender before submission, taking into account the gross profit margin of the historical transactions between Beijing Metro Network and the Group. Despite that no direct comparison of the terms of the Services offered to Beijing Metro Network with that offered to independent third parties is available, having

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## LETTER FROM GOLDIN FINANCIAL

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considered that (i) the gross profit margin of the historical transactions in relation to the Services between the Group and Beijing Metro Network makes good reference for determining the price of the Services to be submitted for tender since Beijing Metro Network was an independent third party of the Company before the Acquisition and the transactions conducted were on normal commercial terms; (ii) the gross profit margin of the historical transactions with Beijing Metro Network relating to the provision of Services fell within a rather stable range; and (iii) there is sufficient internal control measure to secure a reasonable profit margin for the Services to be provided by the Group to Beijing Metro Network, we are of the view that the pricing mechanism of the Services is fair and reasonable and is sufficient to ensure that the transactions to be conducted under the Framework Agreement are on normal commercial terms.

Having considered that (i) the transactions under the Framework Agreement have been and will be carried out by the Group and Beijing Metro Network respectively in their ordinary and usual course of business; and (ii) the terms (including pricing and settlement terms) of the individual agreements to be entered into pursuant to the Framework Agreement will be determined with reference to the terms of the historical transactions between Beijing Metro Network and the Group as discussed above and will be reviewed by the senior management of the Group before submission of a tender to ensure such terms being normal commercial terms and fair and reasonable to the Company, we are of the view that the terms of the Framework Agreement 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.

### 3. Proposed annual caps and historical transaction amounts

The historical transactions were carried out under various agreements entered into between the Group and Beijing Metro Network in relation to provision of the Services. The following table sets out the historical transaction amounts for the provision of the Services by the Group to Beijing Metro Network for the two years ended 30 June 2012 and the nine months ended 31 March 2013:

<i>(HK\$'000)</i>	<b>Year ended</b>		<b>Nine months</b>
	<b>30 June</b>		<b>ended</b>
	<b>2011</b>	<b>2012</b>	<b>31 March</b>
<b>Historical transaction amounts</b>	50,959	34,225	125,526

The following table sets out the proposed annual caps for the provision of the Services by the Group to Beijing Metro Network for the three years ending 30 June 2016:

<i>(HK\$'000)</i>	<b>Year ending 30 June</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Proposed annual caps</b>	220,000	230,000	240,000

The proposed annual caps for the Framework Agreement for the three years ending 30 June 2016 are determined by reference to (i) the outstanding contract amounts of the various agreements entered into between the Group and Beijing Metro Network; (ii) the estimated

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**LETTER FROM GOLDIN FINANCIAL**

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number of projects for the provision of the Services to be offered by Beijing Metro Network for tender for the three years ending 30 June 2016; (iii) the historical transaction amounts under the various agreements entered into between the Group and Beijing Metro Network in relation to provision of the Services; and (iv) the outlook of the transportation system the Group currently has presence on, in particular Beijing.

Set out below is a summary table of various completed projects and ongoing projects between the Group and Beijing Metro Network since 30 June 2010 and up to 30 June 2013:

<b>Project name</b>	<b>Scope of service</b>	<b>Status as at 30 June 2013</b>	<b>Revenue</b>
			<b>recognised as at 31 March 2013 (%)</b>
北京軌道交通清算管理中心應用系統運維服務項目 (Maintenance services of application solution for the clearing center of Beijing Subway*)	Provision of maintenance of application solution services	Ongoing	52.5
ACC、TCC硬件設備及第三方軟件運維服務項目 (Maintenance services of ACC System and TCC System hardware and third-party software*)	Provision of maintenance of application solution services	Ongoing	48.7
工程自動售檢票清算管理中心(ACC)系統採購 (ACC System procurement project*)	Provision of design and implementation of application solution services	Completed	100
房山線接入ACC、TCC系統項目 (Integration project of Fangshan Line into ACC System and TCC System*)	Provision of design and implementation of application solution services	Completed	100

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<b>Project name</b>	<b>Scope of service</b>	<b>Status as at</b>	<b>Revenue</b>
		<b>30 June</b>	<b>recognised</b>
		<b>2013</b>	<b>as at</b>
			<b>31 March</b>
			<b>2013</b>
			<b>(%)</b>
15號線接入ACC、TCC 系統項目 (Integration project of Line No.15 into ACC System and TCC System*)	Provision of design and implementation of application solution services	Ongoing	65.0
亦莊線接入ACC、TCC 系統項目 (Integration project of Yizhuang Line into ACC System and TCC System*)	Provision of design and implementation of application solution services	Completed	100
昌平線接入ACC、TCC 系統項目 (Integration project of Changping Line into ACC System and TCC System*)	Provision of design and implementation of application solution services	Ongoing	80.0
大興線接入ACC、TCC 系統項目 (Integration Project of Daxing Line into ACC System and TCC System*)	Provision of design and implementation of application solution services	Completed	100
北京市軌道交通自動售檢票清算 管理中心(ACC)系統尾工工程 (Engineering work for ACC System of Beijing Subway*)	Provision of design and implementation of application solution services	Completed	100

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<b>Project name</b>	<b>Scope of service</b>	<b>Status as at</b>	<b>Revenue</b>
		<b>30 June 2013</b>	<b>recognised as at 31 March 2013 (%)</b>
8號線二期、9號線、6號線一期、10號線二期接入ACC/TCC系統項目 (Integration project of Phase 2 of Line No.8, Line No.9, Phase 1 of Line No. 6 and Phase 2 of Line No. 10 into ACC System and TCC System*)	Provision of design and implementation of application solution services	Ongoing	87.8
北京市軌道交通指揮中心二期工程AFC檢測中心系統工程(技術服務部份) (Engineering work for the AFC test centre, Phase II of TCC System of Beijing Subway (technical service)*)	Provision of design and implementation of application solution services	Ongoing	85.2
北京軌道交通信息安全等級保護備件採購項目 (Information security protection spares parts procurement projects*)	Sales of application solution related hardware and spare parts	Completed	100
指揮調度系統備品備件採購項目 (Command and control system spare parts procurement projects*)	Sales of application solution related hardware and spare parts	Completed	100
北京軌道交通清算管理中心備品備件採購項目 (Clearing center spare parts procurement projects*)	Sales of application solution related hardware and spare parts	Completed	100

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<b>Project name</b>	<b>Scope of service</b>	<b>Status as at 30 June 2013</b>	<b>Revenue</b>
			<b>recognised as at 31 March 2013 (%)</b>
網絡備品備件採購項目 (Network products spare parts procurement project*)	Sales of application solution related hardware and spare parts	Completed	100
主機備品備件採購項目 (Host computer spare parts procurement project*)	Sales of application solution related hardware and spare parts	Completed	100
北京市軌道交通指揮中心二期 工程ACC生產系統擴容、 TCC系統擴容、信息中心 系統工程設備採購項目 (Procurement project for facilities for expansion of ACC System and TCC System and ICC System, Phase II of TCC System of Beijing Subway*)	Sales of application solution related hardware and spare parts	Ongoing	89.6
北京市軌道交通指揮中心二期 工程AFC檢測中心系統工程 (硬件採購部分) (Engineering work for the AFC test centre, Phase II of TCC System of Beijing Subway (procumbent of hardware)*)	Sales of application solution related hardware and spare parts	Ongoing	88.2

In determining the contract sum for current and potential projects for the provision of the Services by the Group to Beijing Metro Network, the Group would estimate the amount of technical services required by considering the factors including the time, manpower, the hourly rate of the relevant staff to be deployed for those projects which varies according the level of technical expertise, with reference to the prior projects and historical transactions of the Group which provides services of similar nature, size and geographical location. The Group would also take into account the cost estimates for spare parts and other equipment based on the historical market price and the market trend.

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## LETTER FROM GOLDIN FINANCIAL

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We have analysed the information provided by the management of the Company (including the sample contracts entered into between the Group and Beijing Metro Network in relation to the provision of the Services in the past two years and the breakdown of the historical transaction amounts for the provision of the Services by the Group to Beijing Metro Network for the two years ended 30 June 2012 and the nine months ended 31 March 2013). It is noted that the outstanding contract amount of the existing agreements entered between the Group and Beijing Metro Network amounts to approximately HK\$62 million, representing over 28% of the proposed annual cap under the Framework Agreement for the year ending 30 June 2014. As advised by the management of the Company, the substantial part of such outstanding contracts will be delivered by the Group to Beijing Metro Network by 30 June 2014. It is also noted that a majority of the proposed annual caps under the Framework Agreement relates to the anticipated contract amounts of potential projects that are already at the advanced stage of discussion, including that of the PCC System and the ICC System for the entire Beijing Subway system, the total contract amount of which is expected to be around HK\$300 million. Moreover, the Group estimates that there will be 9 new subway lines to be integrated into the ACC system and TCC system by 30 June 2016, leading to demand for the Services for integration and the related maintenance services.

As shown on the table above, it is noted that there is a surge of transaction amounts in relation to the Services delivered to Beijing Metro Network of approximately HK\$125.53 million for the nine months ended 31 March 2013, which is approximately 266.77% higher than that for the year ended 30 June 2012 and is even approximately 47.36% higher than that for the two years ended 30 June 2011 and 2012 combined. As advised by the management of the Company, the surge in historical transaction amount during past three years is mainly attributable to the accelerating expansion of the Beijing railway transportation system including the Beijing Subway to cater for the increasing demand for the railway services in Beijing to be discussed below.

In determining the Proposed Annual Caps, the Group has taken into account the outlook of Beijing's transportation system. It is noted that Beijing's transportation system has been facing increasingly heavy traffic alongside the city's rapid economic development, in particular the railway traffic. According to the Beijing Statistical Yearbook 2012 published by the Beijing Municipal Bureau of Statistics, 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 1.8 billion visits in 2010 to approximately 2.2 billion visits in 2011, representing a year-on-year growth rate of approximately 22.22%, and a compounded annual growth rate of approximately 25.55% since 2006. Whilst to cope with the increasing usage of the Beijing railway network, the length of the railway network was increased by approximately 10.71% to 372 kilometers in 2011, with 387 units of new railway vehicles put into service, adding to a total of 2,850 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. According to 北京市“十二五”时期交通发展建设规划 (the Beijing Twelfth-Five Year Plan For The Traffic Development And Construction\*), issued by the Beijing Municipal Commission of Development and Reform in July 2012, the length of subway network in Beijing is targeted to



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increase from 336 kilometers as at 31 December 2010 to 660 kilometers at the end of 2015, representing an increase of approximately 96.4% during such period. It is estimated that Beijing will complete the construction of 10 new subway lines by the end of 2015. We were advised by the management of the Company that such increase in traffic and the development plan for the construction of new subway lines 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 maintenance services, design and application solutions to be provided by the Group to Beijing Metro Network. We noted that the estimations of the Proposed Annual Caps were mainly based on the development plan of the Beijing railway system under the Beijing Twelfth-Five Year Plan For The Traffic Development And Construction and the historical transaction of similar type conducted between the Group and Beijing Metro Network. Having considered (i) the development plan of the Beijing railway network and its usage; (ii) that the Group understands the requirements (including the costs to be incurred) of each type of the Services for tender as the business relationship between the Group and Beijing Metro Network commenced in 2006; and (iii) the Group being in an advantageous position for providing the Services due to the fact that ERG BJ has been the only company engaged in providing services in relation to the establishment, integration and maintenance of the ACC System of the Beijing Subway, and together with BII ERG, were the only companies in the PRC that possessed the licensed technology from Vix Transportation Systems Pty Ltd and its subsidiaries, owner of the licensed technology in relation to the ACC System currently used by Beijing Subway, we are of the view that the Proposed Annual Caps is made after due and care consideration and are fair and reasonable.

It noted that the proposed annual cap under the Framework Agreement for the year ending 30 June 2014 represents an increase of approximately 75.26% over the historical transaction amounts for the nine months ended 31 March 2013 and the proposed annual caps under the Framework Agreement for the two year ending 30 June 2016 represent a growth of approximately 4.55% and approximately 4.35% over the respective prior year proposed annual cap. Having considered (i) the outstanding and anticipated contract amounts in relation to the relevant Services which is expected to be provided by the Group to Beijing Metro Network in the coming three years; and (ii) that the demand for the relevant Services to be provided by the Group to Beijing Metro Network would be substantial to cater for the fast-growing metro network in Beijing, we are of the view that the setting of the Proposed Annual Caps, after making reference to the aforesaid factors, is fair and reasonable.

### **CONDITIONS OF THE PROPOSED ANNUAL CAPS**

There are review mechanisms of the Continuing Connected Transactions 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 Framework Agreement and that the Proposed

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## LETTER FROM GOLDIN FINANCIAL

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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 Framework Agreement 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 Framework Agreement 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 Framework Agreement 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 Framework Agreement (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 resolution to be proposed at the EGM for approving the Framework Agreement (including the Proposed Annual Caps).

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

\* *For identification purpose only*

## 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/Interest of concert parties (Notes 1 and 2)	481,267,527 Shares	–	50.43%
	The Company	Beneficial owner		800,000 Shares (L) (Note 3)	0.08%
Mr. Chen Rui ("Mr. Chen")	The Company	Interest in a controlled corporation/Interest of concert parties (Notes 1 and 4)	481,267,527 Shares	–	50.43%
	The Company	Beneficial owner	–	800,000 Shares (L) (Note 3)	0.08%
Mr. Steven Bruce Gallagher ("Mr. Gallagher")	The Company	Beneficial owner	–	800,000 Shares (L) (Note 3)	0.08%

*Notes:*

1. Pursuant to the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend Limited (“**More Legend**”), Vix Technology (East Asia) Limited (“**Vix East Asia**”) and Landcity Limited (“**Landcity**”), they have confirmed that they are parties acting in concert in the operation and management of ERG Transportation Greater China Company Limited and the Company since the date of listing of the Company. Accordingly, each person under the concert party arrangement is taken to be interested in the shares of the Company that the other party is interested under the SFO.
2. More Legend is owned as to 75% by Mr. Cao and as to 25% by Ms. Wang Jiangping, the spouse of Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 481,267,527 shares which More Legend is interested in. Mr. Cao is the sole director of More Legend.
3. On 26 July 2012, each of Mr. Cao, Mr. Chen and Mr. Gallagher was granted 800,000 options under the share option scheme of the Company to subscribe for 800,000 shares of the Company, 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.
4. Landcity is owned as to 100% by the Sino Choice Trust, whose beneficiaries are Mr. Chen and Ms. Jiang Wenjun, the spouse of Mr. Chen. By virtue of the SFO, Mr. Chen is deemed to be interested in the 481,267,527 shares which Landcity is interested in. Mr. Chen is a director of Landcity.

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	Capacity	Number of Shares (Note 1)	Approximate percentage of interest
More Legend	Beneficial owner/Interest of concert parties (Notes 1 & 2)	481,267,527 Shares (L)	50.43%
Vix East Asia	Beneficial owner/Interest of concert parties (Notes 2 & 3)	481,267,527 Shares (L)	50.43%
Landcity	Beneficial owner/Interest of concert parties (Notes 2 & 4)	481,267,527 Shares (L)	50.43%
Sino Choice Trust	Interest in a controlled corporation/Interest of concert parties (Note 5)	481,267,527 Shares (L)	50.43%
Vix Holdings Limited ("Vix Holdings")	Interest in a controlled corporation/Interest of concert parties (Note 6)	481,267,527 Shares (L)	50.43%
Ms. Wang Jiangping ("Ms. Wang")	Interest of spouse (Note 7)	482,067,527 Shares (L)	50.52%
Ms. Jiang Wenjun ("Ms. Jiang")	Interest of spouse (Note 8)	482,067,527 Shares (L)	50.52%
BII HK	Beneficial owner (Note 9)	233,777,063 Shares (L)	24.50%
BII	Interest of controlled corporation (Notes 10)	233,777,063 Shares (L)	24.50%

*Notes:*

1. More Legend is the legal and beneficial owner of approximately 28.24% of the entire issued share capital of the Company. 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.
2. Pursuant to the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend, Vix East Asia and Landcity, they have confirmed that they are parties acting in concert in the operation and management of ERG Transportation Greater China Company Limited and the Company since the date of listing of the Company. Accordingly, each person under the concert party arrangement is taken to be interested in the shares of the Company that the other party is interested under the SFO.
3. Vix East Asia is the legal and beneficial owner of approximately 15.13% of the entire issued share capital of the Company. Mr. Gallagher is a director of Vix East Asia.
4. Landcity is the legal and beneficial owner of approximately 7.06% of the entire issued share capital of the Company. Mr. Chen is a director of Landcity.
5. Sino Choice Trust holds 100% of Landcity as trustee in favour of Mr. Chen and Ms. Jiang.
6. Vix East Asia is a wholly-owned subsidiary of Vix Holdings.
7. Ms. Wang is the spouse of Mr. Cao and is deemed to be interested in 482,067,527 shares and underlying shares of the Company held by Mr. Cao.
8. Ms. Jiang is the spouse of Mr. Chen and is deemed to be interested in 482,067,527 shares and underlying shares of the Company held by Mr. Chen.
9. BII HK is a wholly-owned subsidiary of BII. Dr. Tian Zhenqing is a director of BII HK.
10. BII is the legal and beneficial owner of the entire issued share capital of BII HK, a company established under 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 Shareholders, Guotai Junan Capital Limited (“Guotai Junan”), the compliance adviser of the Company, 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. QUALIFICATIONS AND CONSENTS OF EXPERTS**

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

Goldin Financial 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 Financial 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 Financial 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 Framework Agreement 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 6 August 2013.

**10. MISCELLANEOUS**

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

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## NOTICE OF EGM

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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)**

### 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, 9/F, 3rd Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People’s Republic of China on Monday, 5 August 2013 at 2:00 p.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:

“**THAT** the framework agreement (the “**Framework Agreement**”) dated 25 June 2013 (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 between the Company and 北京軌道交通路網管理有限公司 (Beijing Metro Network Administration Co., Ltd\*) (“**Beijing Metro Network**”) and the transactions contemplated thereby; and the relevant proposed annual capped amounts of the transactions contemplated under the Framework Agreement for the three years ending 30 June 2016 as shown in the Company’s circular dated 17 July 2013 be and the same are hereby approved; 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 Framework Agreement 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, 17 July 2013



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## NOTICE OF EGM

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<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>
Floor 4, Willow House Cricket Square P.O. Box 2804 Grand Cayman KY1-1112 Cayman Islands	Room 1705F1, Level 17 Qingyun Modern Plaza Block 9, Mantingfang Garden Qingyun Lane, Haidian District Beijing The PRC	Unit 4407, 44/F COSCO Tower 183 Queen's Road Central Hong Kong

*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 Mr. Luo Zhenbang.