
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.

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CONTINUING CONNECTED TRANSACTIONS

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



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 17 of this circular. A letter from Goldin containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 28 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 on Tuesday, 24 September 2013 at 2:00 p.m. is set out on pages 34 to 35 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.

30 August 2013

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CHARACTERISTIC 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 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
“AFC System”	automated fare collection system, a line-level system which manages and controls tickets and functions of station-level equipments of a public transport system
“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
“Beijing Railway Construction”	北京市軌道交通建設管理有限公司 (Beijing Railway Construction and Management Co., Ltd.*), a company established under PRC law with limited liability and wholly-owned by State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality, and a holder of 93% equity interests in Beijing Transport Consultation
“Beijing Subway”	the transit rail network that serves urban and suburban districts of Beijing municipally
“Beijing Transport Consultation”	北京城市軌道交通諮詢有限公司 (Beijing City Railway Transportation Consultation Co., Ltd.*), a company established under PRC law with limited liability, and a holder of 10% of the equity interest in BII ERG
“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 Railway Construction

DEFINITIONS

“BII ERG”	北京京投億雅捷交通科技有限公司 (Beijing BII-ERG Transportation Technology Co. Ltd.*), a company established under PRC law with limited liability. As at the Latest Practicable Date, BII ERG was owned as to 90% by Beijing City Railway Holdings Company Limited (北京城市軌道交通控股有限公司) and 10% by Beijing Transport Consultation
“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
“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 9 August 2013 and entered into between the Company and Beijing Railway Construction 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

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
“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 BII HK and its associates
“Latest Practicable Date”	27 August 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-today operation data, receiving external information, and acting as information link between various lines within a public transport system with passenger interchange points
“PIS System”	passenger information system, a line-level system which gives real-time audio and multimedia information to passengers through computerised public announcements and digital display subsystems
“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

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 purposes only*

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*)
Hao Weiya
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

30 August 2013

CONTINUING CONNECTED TRANSACTIONS

To the Shareholders

Dear Sir or Madam,

1. INTRODUCTION

Reference is made to the announcement of the Company dated 9 August 2013 in relation to, among others, the Framework Agreement and the Continuing Connected Transactions thereunder.

LETTER FROM THE BOARD

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 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 completion of the Acquisition on 28 June 2013, BII ERG has become a subsidiary of the Group. Beijing Transport Consultation, a holder of 10% of the equity interest in BII ERG, becomes a substantial shareholder of BII ERG and a connected person of the Group. Beijing Railway Construction is the holding company of Beijing Transport Consultation which holds 93% of the equity interests in Beijing Transport Consultation, hence Beijing Railway Construction is an associate of Beijing Transport Consultation and also a connected person of the Group under Chapter 20 of the GEM Listing Rules. Beijing Transport Consultation is a passive investor of BII ERG, save for its 10% equity interest in BII ERG, Beijing Transport Consultation does not have any representative in the senior management and board of directors of BII ERG and the Company.

Beijing Railway Construction was one of the customers of BII ERG. BII ERG provided transportation system design, installation and maintenance services to Beijing Railway Construction for the line-level systems of the Beijing Subway. Following completion of the Acquisition, Beijing Railway Construction (being an associate of Beijing Transport Consultation) becomes a connected person of the Group. 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 transactions contemplated under the Framework Agreement 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.

As at the Latest Practicable Date, both BII and Beijing Railway Construction are wholly owned by State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality. BII HK is a wholly-owned subsidiary of BII which held 233,777,063 shares in the Company, representing approximately 24.50% of the existing issued share capital of the Company as at the Latest Practicable Date. BII HK and their respective associates will abstain from voting on the resolution approving the Framework Agreement and the related proposed annual caps which will be proposed at the EGM. 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.

LETTER FROM THE BOARD

3. FRAMEWORK AGREEMENT

Parties

- (1) 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
- (2) Beijing Railway Construction, principally engaged in the organisation and management of the construction of new railway transport lines, 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 line-level systems including the subsystems for the ACC System, the TCC System and the PCC System specifically for individual subway line such as the AFC System and PIS System of the Beijing Subway (collectively, the “**Services**”), to Beijing Railway Construction 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. The Services can be mainly categorised into the following categories, namely (i) procurement services for subway platform doors; (ii) provision of the design and implementation services relating to the AFC System; and (iii) procurement services for the PIS System.

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.

LETTER FROM THE BOARD

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 other similar projects between the Group and other third parties, which the contract sums are usually payable by the customer by installments 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 customer, subject to any retention money (if any) which will be withheld by customer 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 9 August 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 the board of director of Beijing Railway Construction 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 BII ERG and Beijing Railway Construction in relation to provision of the Services. The following table sets out the historical transaction amounts for the provision of the Services by BII ERG to Beijing Railway Construction for the two years ended 30 June 2012 and the nine months ended 31 March 2013:

	Year ended 30 June		Nine months ended 31 March
	2011	2012	2013
<i>(HK\$'000)</i>			
Historical transactions amounts	77,570	5,950	25,454

LETTER FROM THE BOARD

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

	Year ended 30 June		
	2014	2015	2016
<i>(HK\$'000)</i>			
Proposed annual caps	150,000	160,000	170,000

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 Railway Construction; (ii) the estimated number of projects for the provision of the Services to be offered by Beijing Railway Construction 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 Railway Construction in relation to provision of the Services; and (iv) the outlook of the transportation system the Group currently has presence on, in particular Beijing.

Beijing Railway Construction was one of the customers of BII ERG. BII ERG provided transportation system design, installation and maintenance services to Beijing Railway Construction for the line-level systems of the Beijing Subway. The historical transaction amount between the Group and Beijing Railway Construction in relation to provision of the Services was attributed to the procurement services such as procurement service for subway platform door and the construction of the multiple lines center project. For each of the two years ended 30 June 2012 and the nine months ended 31 March 2013, the historical transaction amounts for the provision of the Services by BII ERG to Beijing Railway Construction were approximately HK\$77,570,000, HK\$5,950,000 and HK\$25,454,000 respectively. The fluctuation of historical transaction amount was mainly due to completion of the construction of the multiple line center project in 2011 which contributed to all of the revenue from Beijing Railway Construction for the two years ended 30 June 2012. For the nine months ended 31 March 2013, the historical transaction amounts for the provision of the Services increased substantially as we were awarded the tender for 14號線工程安全門採購項目 (Procurement project of platform doors for Line No.14*).

LETTER FROM THE BOARD

Set out below is a summary table of the completed project and ongoing projects between the Group and Beijing Railway Construction since 1 July 2010 and up to 30 June 2013:

Project name	Scope of services	Status as at 30 June 2013	Revenue recognised as at 31 March 2013 <i>(Approximate %)</i>
北京市軌道交通多線共用AFC系統線路中心設備採購及安裝項目採購合同 (Hardware procurement and installation project for the multiple line center of the AFC System of Beijing Subway*)	Provision of the design and implementation services relating to the AFC System	Ongoing	94.7%
14號線工程安全門採購項目 (Procurement project of platform doors for Line No.14*)	Procurement services for subway platform doors	Ongoing	22.0%

LETTER FROM THE BOARD

Project name	Scope of services	Status as at 30 June 2013	Revenue recognised as at 31 March 2013 <i>(Approximate %)</i>
<p>北京市軌道交通多線共用AFC系統線路中心設備採購及安裝項目採購合同(MLC軟件開發項目)</p> <p>(Software system procurement and installation project for the multiple line center of the AFC System of Beijing Subway (software system design and implementation project*))</p>	<p>Provision of the design and implementation services relating to the AFC System</p>	<p>Completed</p>	<p>100.0%</p>

BII ERG did not provide the provision of the design and implementation services relating to the AFC System and procurement services for the PIS System to Beijing Railway Construction before. Instead, 北京北控電信通資訊技術有限公司 (Beijing Enterprises Teletron Information Technology Company Limited*) (“**Beijing Enterprises Teletron**”), an independent third party to the Company and BII ERG, had obtained tenders for the procurement services for the PIS System from Beijing Railway Construction and sub-contracted such procurement services to BII ERG during the two years ended 30 June 2012 and nine months ended 31 March 2013, therefore BII ERG had indirectly provided such procurement services to Beijing Railway Construction. In order to increase the revenue stream of BII ERG, the Group intends to expand the scope of services to include the above services under the transaction contemplated under the Framework Agreement.

In order to secure a reasonable profit margin for the Services to be provided by the Group to Beijing Railway Construction, the senior management of BII ERG will prepare the tender for the Services and ensure the transactions to be conducted will be in compliance with the pricing policy under the Framework Agreement and on normal commercial terms. The senior management of the Company will assess terms (including the profitability and settlement terms) of each proposed tender before submission taking into account the terms of the historical transactions between the Group and Beijing Railway Construction and/or other third parties when available. In respect of the procurement services for subway platform doors, the Group will make reference to the gross profit margin of the historical transaction is between the Group and Beijing Railway

LETTER FROM THE BOARD

Construction and also the historical transaction is between the Group and independent third parties. In respect of the provision of the design and implementation services relating to the AFC System, since BII ERG did not provide such services to Beijing Railway Construction before, comparison of the terms of such services offered to Beijing Railway Construction with that offered to independent third parties is not available. The Directors consider the service fees for provision of the design and implementation services relating to the AFC System to be offered by BII ERG will be largely related to the number of staff to be deployed and their respective hourly rate. In determining the hourly rate of the staff as well as the service fees to be offered by BII ERG to Beijing Railway Construction, the Group will make reference to the hourly rate of the staff charged by the Group to Beijing Metro Network in relation to provision of design and implementation of application solution services for network-level systems before the Acquisition as the Directors consider that the technical staff and the technical requirements for provision of design and implementation of application solution services for network-level systems is similar to that for line-level systems. Beijing Metro Network was an independent third party to the Company before the Acquisition. In respect of the procurement services for the PIS System, the Group will make reference to the historical transactions of similar type of services conducted between the Group and independent third parties including Beijing Enterprises Teletron.

Moreover, in determining the contract sum for current and potential projects for the provision of Services, 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.

The outstanding contract amount of the existing agreements entered between the Group and Beijing Railway Construction amounted to approximately HK\$91.7 million as at the Latest Practicable Date, representing over 61.1% of the proposed annual cap under the Framework Agreement for the year ending 30 June 2014. In determining the proposed annual caps contemplated under the Framework Agreement for the three years ending 30 June 2016, the Directors estimated, based on the 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*) (the **“Beijing Twelfth-Five Year Plan”**) issued by the Beijing Traffic Bureau in July 2012 and the historical contract amount of similar tender offered by Beijing Railway Construction, that the contracts to be tendered by Beijing Railway Construction which our Group could provide Services for, would amount to approximately HK\$10,000,000, HK\$472,000,000, and HK\$177,000,000 in respect of (i) procurement services for subway platform doors; (ii) provision of the design and implementation services relating to the AFC System; and (iii) procurement services for the PIS System. The Group estimates that there will be eight new subway lines to be completed for construction and commenced for operation by 30 June 2016, leading to demand for the Services in relation to AFC System. The Directors

LETTER FROM THE BOARD

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 is familiar with the requirements (including the costs to be incurred) of the procurement services of the PIS System through being a sub-contractor of such services provided to Beijing Railway Construction in the past; (ii) BII ERG, together with 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, 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 AFC 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 the Beijing Twelfth-Five Year Plan, the length of subway network in Beijing is targeted to increase from 336 kilometers as at 31 December 2011 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, 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 Railway Construction, hence the demand for the Services to be provided by the Group to Beijing Railway Construction 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.

LETTER FROM THE BOARD

There has been a long-standing business relationship between Beijing Railway Construction and the Group. The Directors consider Beijing Railway Construction 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 Tuesday, 24 September 2013 at 2:00 p.m. to consider the Continuing Connected Transactions. A notice of the EGM is set out on pages 34 to 35 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.

Dr. Tian Zhenqing, a non-executive Director, was a director of BII HK. Beijing Railway Construction 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.

LETTER FROM THE BOARD

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 17 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 18 to page 28 in this circular.

The Independent Board Committee, having taken into account the advice of Goldin, 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

* *For identification purposes only*

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)

30 August 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 30 August 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 Railway Construction 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 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 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 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

LETTER FROM GOLDIN

The following is the full text of the letter from Goldin 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

30 August 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 terms of 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 30 August 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 completion of the Acquisition on 28 June 2013, BII ERG has become a subsidiary of the Group. Beijing Transport Consultation, a holder of 10% of the equity interest in BII ERG, becomes a substantial shareholder of BII ERG and a connected person of the Group. Beijing Railway Construction is the holding company of Beijing Transport Consultation which holds 93% of the equity interests in Beijing Transport Consultation, hence Beijing Railway Construction is an associate of Beijing Transport Consultation and also a connected person of the Group under Chapter 20 of the GEM Listing Rules.

LETTER FROM GOLDIN

Beijing Railway Construction was one of the customers of BII ERG. BII ERG provided transportation system design, installation and maintenance services to Beijing Railway Construction for the line-level systems of the Beijing Subway. Following completion of the Acquisition, Beijing Railway Construction (being an associate of Beijing Transport Consultation) becomes a connected person of the Group. 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 transactions contemplated under the Framework Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

On 9 August 2013, the Framework Agreement was entered into between the Company and Beijing Railway Construction to regulate the business relationships between the parties thereto. The Framework Agreement is of a term commencing from the date on which the conditions precedent (as set out below) 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.

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 Continuing Connected Transactions 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 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 Continuing Connected Transactions 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

LETTER FROM GOLDIN

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 Continuing Connected Transactions 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.

LETTER FROM GOLDIN

BII ERG is principally engaged in providing software and hardware in application solutions and products for the subsystems for the ACC System, the TCC System and the PCC System specifically for individual subway line. BII ERG has been providing transportation system design, installation and maintenance services to Beijing Railway Construction for the line-level systems of the Beijing Subway. Beijing Railway Construction, a company principally engaged in the organisation and management of the construction of new railway transport lines, was one of the major customers of BII ERG in the past few years. The provision of such services to Beijing Railway Construction represented approximately 66.0% and approximately 7.6% of BII ERG's revenue for the year ended 30 June 2011 and 30 June 2012 respectively. As such, the transactions between BII ERG and Beijing Railway Construction have been carried out in their ordinary and usual course of business. According to the website of 中國鐵路工程建設網 (China National Railway Construction Corporation*, www.cnrc.com), Beijing Railway Construction is a state-owned company established to manage the construction of railway lines, including No. 4, No. 5, No. 9, No. 10, the Olympics sub-line and the airport line in Beijing. Therefore, the long term business relationship with Beijing Railway Construction offers BII ERG the opportunities to capitalise on the various railway projects.

To regulate the business relationships between the relevant parties, on 9 August 2013, the Framework Agreement was entered into between the Company and Beijing Railway Construction, 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 line-level systems including the subsystems for the ACC System, the TCC System and the PCC System specifically for individual subway line such as the AFC System and the PIS System of the Beijing Subway (collectively, the “**Services**”) to Beijing Railway Construction during the term of the Framework Agreement. The Services can be mainly categorised into the following categories, namely (i) procurement services for subway platform doors; (ii) provision of the design and implementation services relating to the AFC System; and (iii) procurement services for the PIS System. As advised by the management of the Company, BII ERG provided procurement services such as procurement service for subway platform doors to Beijing Railway Construction only before the entering into of the Framework Agreement. In order to increase the revenue stream of BII ERG, the Group intends to expand the scope of services to be provided by BII ERG to Beijing Railway Construction including (i) the provision of the design and implementation services relating to the AFC System since BII ERG, together with 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, 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 AFC System currently used by Beijing Subway; and (ii) procurement service for the PIS System as 北京北控電信通資訊技術有限公司 (Beijing Enterprises Teletron Information Technology Company Limited*), an independent party to the Company and BII ERG, has obtained tenders for the procurement services for the PIS System from Beijing Railway Construction and sub-contracted such procurement services to BII ERG during the two years ended 30 June 2012 and the nine months ended 31 March 2013, therefore BII ERG has provided such procurement service to Beijing Railway Construction indirectly and is familiar with the requirements (including the costs to be incurred) of the procurement services for the PIS System.

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Having considered that the transactions between BII ERG and Beijing Railway Construction have been carried out in their ordinary and usual course of business, with Beijing Railway Construction being one of the major customers of BII ERG for the two financial years ended 30 June 2012, we are of the view that the Continuing Connected Transactions 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 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 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. We were given to understand that Beijing Railway Construction generally selects providers for the provision of Services through tendering process, of which an independent tender service provider is appointed for the review and analysis of the submitted tenders.

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 other similar projects between the Group and other third parties, which the contract sums are usually payable by the customer by installments 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 customer, subject to any retention money (if any) which will be withheld by customer 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.

In assessing the terms of the transactions under the Framework Agreement, in respect of the procurement services such as procurement service for subway platform doors, we have reviewed sample copies of the quotations/invoices issued by BII ERG to independent third parties and compared them with those issued to Beijing Railway Construction. Based on our review, we noted that the prices were charged at market prices comparable to those charged to independent third parties under normal commercial terms. As advised by the management of the Company, in determining the terms (including price and settlement term) of the tender to be submitted for the procurement services for subway platform doors and the PIS System, the Group will make reference to the historical transactions of similar type of services conducted between the Group and independent third parties. In respect of the other categories of the Services including provision of the design and implementation services relating to AFC System, since BII ERG did not provide such services to Beijing Railway Construction before,

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comparison of the terms of such services offered to Beijing Railway Construction with that offered to independent third parties is not available. As advised by the management of the Company, the price of provision of the design and implementation services relating to AFC System to be offered by BII ERG will be largely related to the number of staff to be deployed and their respective hourly rate. In determining the hourly rate of the staff as well as the price to be offered by BII ERG to Beijing Railway Construction, we were given to understand that the Group will make reference to the hourly rate of the staff charged by the Group to Beijing Metro Network in relation to provision of design and implementation of application solution services for network-level systems before the Acquisition. We were advised that the technical staff and the technical requirements for provision of design and implementation of application solution services for network-level systems is similar to that for line-level systems.

As advised by the management of the Company, Beijing Transport Consultation is a passive investor of BII ERG, save for its 10% equity interest in BII ERG, Beijing Transport Consultation does not have any representative in the senior management and board of directors of BII ERG and the Company. The tender for the Services will be prepared by the senior management of BII ERG. In order to secure a reasonable profit margin for the Services to be provided by the Group to Beijing Railway Construction and ensure the transactions to be conducted will be in compliance with the pricing policy under the Framework Agreement and on normal commercial terms, the senior management of the Company will assess the terms (including profitability and settlement term) of each tender proposed by the senior management of BII ERG before submission, taking into account the terms of the historical transactions between the Group and independent third parties in respect of procurement services and between Beijing Metro Network and the Group in relation to the provision of design and implementation of application solution services. Despite that no direct comparison of the terms of the Services in connection with provision of the design and implementation services relating to the AFC System offered to Beijing Railway Construction with that offered to independent third parties is available, having considered that (i) the hourly rate to be charged by BII ERG to Beijing Railway Construction will be made reference to that charged by the Group to Beijing Metro Network before the Acquisition, an independent third party to the Company before the Acquisition, which we consider a fair and reasonable reference for determining the price to be submitted for tender; and (ii) Beijing Transport Consultation is just a passive investor of BII ERG and there is internal control measure which we consider sufficient and effective to secure a reasonable profit margin of the Services to be provided by BII ERG to Beijing Railway Construction and ensure the transactions to be conducted will be in compliance with the pricing policy under the Framework Agreement and on normal commercial terms, 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 BII ERG and Beijing Railway Construction respectively in their ordinary and usual course of business; and (ii) the 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 the Group and independent third parties in respect

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of procurement services and between Beijing Metro Network and the Group as discussed above and will be reviewed by the senior management of the Company 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 BII ERG and Beijing Railway Construction in relation to provision of the Services. The following table sets out the historical transaction amounts for the provision of the Services by BII ERG to Beijing Railway Construction for the two years ended 30 June 2012 and the nine months ended 31 March 2013:

<i>(HK\$'000)</i>	For the year ended 30 June		For the
	2011	2012	nine months ended
			31 March 2013
Historical transaction amounts	77,570	5,950	25,454

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

<i>(HK\$'000)</i>	For the year ending 30 June		
	2014	2015	2016
Proposed annual caps	150,000	160,000	170,000

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 Railway Construction; (ii) the estimated number of projects for the provision of the Services to be offered by Beijing Railway Construction 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 Railway Construction in relation to provision of the Services; and (iv) the outlook of the transportation system the Group currently has presence on, in particular Beijing. In determining the contract sum for current and potential projects for the provision of Services, 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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Set out below is a summary table of the completed project and ongoing projects between the Group and Beijing Railway Construction since 1 July 2010 and up to 30 June 2013:

Project name	Scope of services	Status as at 30 June 2013	Revenue recognised as at 31 March 2013 <i>(Approximate %)</i>
北京市軌道交通多線共用 AFC系統線路中心設備採 購及安裝項目採購合同 (Hardware procurement and installation project for the multiple line center of the AFC System of Beijing Subway*)	Provision of the design and implementation services relating to the AFC System	Ongoing	94.7%
14號線工程安全門採購項目 (Procurement project of platform doors for Line No.14*)	Procurement services for subway platform doors	Ongoing	22.0%
北京市軌道交通多線共用 AFC系統線路中心設備採 購及安裝項目採購合同 (MLC軟件開發項目) (Software system procurement and installation project for the multiple line center of the AFC System of Beijing Subway (software system design and implementation project)*)	Provision of the design and implementation services relating to the AFC System	Completed	100.0%

We have analysed the information provided by the management of the Company (including the sample contracts entered into between BII ERG to Beijing Railway Construction 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 BII ERG to Beijing Railway Construction for the two years ended 30 June 2012 and the nine months ended 31 March 2013).

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We noted that the outstanding contract amount of the existing agreements entered between BII ERG and Beijing Construction Railway in relation to the provision of the Services accounts for approximately 61.1% of the proposed annual cap under the Framework Agreement for the year ending 30 June 2014. In determining the Proposed Annual Caps, the Group estimates that there will be 8 new subway lines to be completed for construction and commenced for operation by 30 June 2016, leading to demand for the Services in relation to the AFC System and procurement services. The Directors estimated, based on the 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 Traffic Bureau in July 2012 and the historical contract amount of similar tender offered by Beijing Railway Construction, that the contracts to be tendered by Beijing Railway Construction which the Group could provide Services for, would amount to approximately HK\$10,000,000, HK\$472,000,000, and HK\$177,000,000 in respect of (i) procurement services for subway platform doors; (ii) provision of the design and implementation services relating to the AFC System; and (iii) procurement services for the PIS System. The Group expects that the Services with contract value of approximately HK\$150,000,000, approximately HK\$160,000,000 and approximately HK\$170,000,000 would be completed for the three years ending 30 June 2016 respectively assuming that the Group has obtained the tenders.

As shown on the table above, we noted that the historical transactions between BII ERG and Beijing Railway Construction fluctuated in the past three years. As advised by the management of the Company, such fluctuation was mainly due to completion of the construction of the multiple lines center project in 2011 which contributed to all of the revenue from Beijing Railway Construction for the two years ended 30 June 2012. For the nine months ended 31 March 2013, the historical transaction amounts for the provision of the Services increased substantially as BII ERG is awarded the tender for 14號線工程安全門採購項目 (Procurement project of platform doors for Line No.14*).

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 2012 Beijing Statistical Yearbook 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 the Beijing Twelfth-Five Year Plan For The Traffic Development And Construction, the length of subway network in Beijing is targeted to increase from 336 kilometers as at 31 December 2011 to 660 kilometers at the end of 2015, representing an increase of approximately 96.4%

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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 BII ERG to Beijing Railway Construction. 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 between the Group and independent third parties relating to procurement services and between the Group and Beijing Metro Network in relation to provision of design and implementation of application solution services. Having considered (i) the development plan of the Beijing railway network and its usage; (ii) that the price of procurement services and the estimated hourly rate and number of hours for technical services is made reference to historical transactions of similar type conducted between the Group and independent third parties; (iii) the Group is familiar with the requirements (including the costs to be incurred) of the procurement services of the PIS System through being a sub-contractor of such services provided to Beijing Railway Construction in the past; and (iv) the Group being in an advantageous position for providing the Services due to the fact that BII ERG, together with ERG Transit Systems (Beijing) Ltd., a wholly-owned subsidiary of the Group, 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 AFC 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 is noted that the proposed annual cap under the Framework Agreement for the year ending 30 June 2014 is over five times the historical transaction amounts for the nine months ended 31 March 2013 and the proposed annual caps under the Framework Agreement for the two years ending 30 June 2016 represent a growth of 6.67% and approximately 6.25% over the respective prior year proposed annual cap. Having considered (i) the outstanding contract amount of the existing agreements entered between BII ERG and Beijing Construction Railway in relation to the provision of the Services accounts for approximately 61.1% of the proposed annual cap under the Framework Agreement for the year ending 30 June 2014; and (ii) that the demand for the relevant Services to be provided by BII ERG to Beijing Railway Construction 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 Proposed Annual Caps under the Framework Agreement 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

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relevant transactions are conducted in accordance with the Framework Agreement 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 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 Continuing Connected Transactions 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

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 2 and 3)	481,267,527 Shares	–	50.43%
	The Company	Beneficial owner		800,000 Shares (L) (Note 4)	0.08%
Mr. Chen Rui ("Mr. Chen")	The Company	Interest in a controlled corporation/ Interest of concert parties (Notes 2 and 5)	481,267,527 Shares	–	50.43%
	The Company	Beneficial owner	–	800,000 Shares (L) (Note 4)	0.08%
Mr. Steven Bruce Gallagher ("Mr. Gallgher")	The Company	Beneficial owner	–	800,000 Shares (L) (Note 4)	0.08%

Notes:

- 1 The letter “L” represents the Director’s interests in the shares and underlying shares of the Company or its associated corporations.
- 2 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.
- 3 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.
- 4 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.
- 5 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/entities (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 2 & 3)	481,267,527 Shares (L)	50.43%

Name of Person	Capacity	Number of Shares (Note 1)	Approximate percentage of interest
Vix East Asia	Beneficial owner/Interest of concert parties (Notes 3 & 4)	481,267,527 Shares (L)	50.43%
Landcity	Beneficial owner/Interest of concert parties (Notes 3 & 5)	481,267,527 Shares (L)	50.43%
Sino Choice Trust	Interest in a controlled corporation/Interest of concert parties (Note 6)	481,267,527 Shares (L)	50.43%
Vix Holdings Limited ("Vix Holdings")	Interest in a controlled corporation/Interest of concert parties (Note 7)	481,267,527 Shares (L)	50.43%
Ms. Wang Jiangping ("Ms. Wang")	Interest of spouse (Note 8)	482,067,527 Shares (L)	50.52%
Ms. Jiang Wenjun ("Ms. Jiang")	Interest of spouse (Note 9)	482,067,527 Shares (L)	50.52%
BII HK	Beneficial owner (Note 10)	233,777,063 Shares (L)	24.50%
BII	Interest of controlled corporation (Notes 11)	233,777,063 Shares (L)	24.50%

Notes:

1. The letter "L" represents the person's or entity's interest in the shares and underlying shares of the Company.
2. 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.
3. 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.
4. 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.
5. 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.

6. Sino Choice Trust holds 100% of Landcity as trustee in favour of Mr. Chen and Ms. Jiang.
7. Vix East Asia is a wholly-owned subsidiary of Vix Holdings.
8. 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.
9. 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.
10. BII HK is a wholly-owned subsidiary of BII. Dr. Tian Zhenqing is a director of BII HK.
11. 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 or entity 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 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 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 24 September 2013.

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
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 Tuesday, 24 September 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 9 August 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 北京市軌道交通建設管理有限公司 (Beijing Railway Construction and Management Co., Ltd.*) (“**Beijing Railway Construction**”) 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 30 August 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, 30 August 2013

* *For identification purposes only*

NOTICE OF EGM

<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, Mr. Hao Weiya and Mr. Steven Bruce Gallagher; and the independent non-executive Directors are Mr. Hu Zhaoguang, Mr. Bai Jinrong and Mr. Luo Zhenbang.