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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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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: 1522)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
RELATING TO THE ACQUISITION OF SALE ASSETS
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

*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 Board is set out on pages 5 to 14 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 2:30 p.m. on Tuesday, 1 November 2016 is set out on pages EGM-1 to EGM-2 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 Level 22, Hopewell Centre, 183 Queen's Road East, 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.

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Assets from the Vendor by the Purchaser pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 26 September 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Acquisition Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing BII” or “Purchaser”	北京京投卓越科技發展有限公司 (Beijing BII Technology Development Co., Ltd.*), a company established under PRC law with limited liability and an indirect wholly-owned subsidiary of the Company
“Beijing Subway”	the transit rail network that serves the urban and suburban districts of Beijing municipality which is owned by the city of Beijing
“BII” or “Vendor”	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
“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 a Substantial Shareholder which held approximately 34.03% of the issued share capital of the Company as at the Latest Practicable Date
“Board”	the board of Directors
“Business Day”	any day other than a Saturday, Sunday or public holiday on which banks are generally open for business in Hong Kong throughout their normal business hours

DEFINITIONS

“Colliers”	Colliers International (Hong Kong) Limited, a professional valuer
“Company”	China City Railway Transportation Technology Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	consideration payable by the Purchaser to the Vendor for the Acquisition
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company 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, 1 November 2016 at 2:30 p.m. for the purpose of considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin, established to advise the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Goldin”	Goldin Financial Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a licenced corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

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“Independent Shareholders”	the Shareholders other than BII HK, its associate(s) and parties involved or interested in the transactions contemplated under the Acquisition Agreement
“Latest Practicable Date”	11 October 2016, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Sale Assets”	means the civil communication transmission systems of 41 underground stations in aggregate of four subway lines of the Beijing Subway and the civil communication wireless coverage system of one subway line of the Beijing Subway, in particular, (i) the fixed assets of and the income rights to be derived from the civil communication transmission systems of Phase 2 of Line No. 6, Line No. 7, Phase 1 East and West of Line No. 15, and Changping Line No. 8 of the Beijing Subway; (ii) the fixed assets of and the income rights to be derived from the civil communication wireless coverage system of Phase 1 East of Line No. 15 of the Beijing Subway; and (iii) the rights and obligations under certain underlying contracts
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Valuation Report” valuation report issued by Colliers dated 11 October 2016 in respect of the valuation of the Sale Assets as at 30 June 2016

“%” per cent.

* *For identification purpose only*

For the purpose of this circular, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB1.00 to HK\$1.18.

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: 1522)

Executive Directors:

Mr. Cao Wei (*Chief Executive Officer*)
Ms. Xuan Jing
Mr. Shao Kai

Non-executive Directors:

Dr. Tian Zhenqing (*Chairman*)
Mr. Hao Weiya
Mr. Guan Jifa

Independent non-executive Directors:

Mr. Bai Jinrong
Mr. Luo Zhenbang
Mr. Huang Lixin

Registered office:

Floor 4, Willow House
Cricket Square, PO Box 2804
Grand Cayman KY1-1112
Cayman Islands

***Head office and principal place
of business in Hong Kong***

Unit 4407, 44/F
COSCO Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

14 October 2016

**DISCLOSEABLE AND CONNECTED TRANSACTION
RELATING TO THE ACQUISITION OF SALE ASSETS**

To the Shareholders

Dear Sir or Madam,

I. INTRODUCTION

Reference is made to the announcement of the Company dated 26 September 2016. On 26 September 2016, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Assets (being the civil communication transmission systems of 41 underground stations in aggregate of four subway lines of the Beijing Subway and the civil communication wireless coverage system of one subway line of the Beijing Subway, in particular, (i) the fixed assets of and the income rights to be derived from the civil communication transmission systems of Phase 2 of Line No. 6, Line No. 7, Phase 1 East and West of Line No. 15, and Changping Line No. 8 of the Beijing Subway; (ii) the fixed assets of and the income rights to be derived from the

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civil communication wireless coverage system of Phase 1 East of Line No. 15 of the Beijing Subway; and (iii) the rights and obligations under certain underlying contracts) from the Vendor at a consideration of RMB57,800,000.

Upon Acquisition Completion, the Vendor will transfer the rights and controlling rights of the Sale Assets to the Purchaser, while the Purchaser shall apply its own resources for maintenance, upgrading and enhancement of the Sale Assets and enjoy their income rights.

Upon Acquisition Completion, the Group will have completed the acquisition of all civil communication assets of the Beijing Subway owned by BII. The Group will be providing civil communication transmission system leasing services to an aggregate of 175 stations of 15 subway lines of the Beijing Subway (excluding the stations and the subway lines invested and developed by the Group). In respect of the civil communication transmission system of the future lines of the Beijing Subway ("**Future Civil Communication Business**"), the Purchaser shall apply its own resources for investment and construction, and negotiate and seek cooperation with telecommunication companies on its own in relation to any agreement regarding the use of related resources or cooperation agreement.

Further, the Vendor undertakes that it shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of the Vendor and any company in which the Vendor or its affiliates has a controlling interest or shareholding and/or companies controlled by the Vendor shall engage in any business or activity similar to or which competes directly or indirectly or may compete with the civil communication business carried out by the Group.

As the applicable percentage ratios for the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

As at the Latest Practicable Date, BII HK held 488,581,376 Shares, representing approximately 34.03% of the issued share capital of the Company. BII HK is a Substantial Shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules. The Vendor, as the sole owner of BII HK, is an associate of BII HK and hence a connected person of the Company. The Acquisition constitutes a connected transaction for the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you, among other things, (i) further information of the Acquisition; (ii) a letter of recommendation from the Independent Board Committee in relation to the Acquisition and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser in relation to the Acquisition and the transactions contemplated thereunder; (iv) comfort letters from KPMG and First Shanghai Capital Limited in relation to the Valuation Report; (v) the Valuation Report; and (vi) a notice convening the EGM.

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II. THE ACQUISITION

Reference is made to the announcements of the Company dated 8 July 2014 and 29 June 2015 in relation to, among others, the acquisition agreements whereby the Vendor had transferred to the Purchaser the fixed assets and the income rights of the civil communication transmission systems of certain subway lines of the Beijing Subway (“**Previous Acquisitions**”). The Vendor undertook to transfer at an appropriate time the fixed assets and the income rights to be derived from the civil communication system for all lines of the Beijing Subway in which the Vendor has invested and constructed but yet to complete and settle as at the date of the said acquisition agreements at a reasonable consideration to the Purchaser. Accordingly, the Purchaser and the Vendor entered into the Acquisition Agreement on 26 September 2016 (after trading hours).

1. Principal terms of the Acquisition Agreement

Date

26 September 2016 (after trading hours)

Parties

- (a) Beijing BII, an indirect wholly-owned subsidiary of the Company and a company established in the PRC, which is principally engaged in investment holding (as Purchaser); and
- (b) BII, a company established in the PRC, which is principally engaged in investment holding (as Vendor).

As at the Latest Practicable Date, the Vendor was the sole beneficial owner of BII HK, a Substantial Shareholder which held approximately 34.03% of the issued share capital of the Company.

2. Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Assets.

The Sale Assets are the civil communication transmission systems of 41 underground stations in aggregate of four subway lines of the Beijing Subway and the civil communication wireless coverage system of one subway line of the Beijing Subway, in particular, (i) the fixed assets of and the income rights to be derived from the civil communication transmission systems of Phase 2 of Line No. 6, Line No. 7, Phase 1 East and West of Line No. 15, and Changping Line No. 8 of the Beijing Subway (collectively, the “**Four Subway Lines**”); (ii) the fixed assets of and the income rights to be derived from the civil communication wireless coverage system of Phase 1 East of Line No. 15 of the Beijing Subway; and (iii) the rights and obligations under certain underlying contracts.

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The rights and obligations referred to in (iii) above are those of the Vendor under various contracts to which the Vendor is a party, which comprise (a) various revenue contracts with the telecommunications companies whereby the Vendor enjoys the income rights for renting and licensing the use of the civil communication transmission systems (民用通信傳輸系統) of the Four Subway Lines; and (b) various expenses contracts with the service providers whereby the Vendor undertakes to pay a service fee for the civil communication transmission system maintenance services of the Four Subway Lines provided by such service providers. As at the Latest Practicable Date, Mr. Cao Wei was a director of one of such service providers.

3. Consideration

The Consideration pursuant to the Acquisition Agreement is RMB57,800,000 (equivalent to approximately HK\$68,204,000) and shall be paid by the Purchaser within five Business Days of the effective date of the Acquisition Agreement.

The effective date of the Acquisition Agreement will take place upon fulfillment of the following conditions:

- (i) the relevant regulatory authorities in Hong Kong approving the entering into and performance of the Acquisition Agreement (if any);
- (ii) the Independent Shareholders approving the Acquisition Agreement at the EGM; and
- (iii) filing of the relevant transfer of state-owned assets pursuant to the Acquisition Agreement has been completed at the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account (i) the appraised value of the Sale Assets as at 30 June 2016 based on the valuation performed by Colliers; (ii) the historical financial information including the revenue and profits generated from the Sale Assets; and (iii) the opportunity to diversify the business of the Group and potential returns from the investment in the Sale Assets which will contribute positively to the financial results of the Group.

Colliers is appointed as the independent valuer for the appraisal of the Sale Assets and has adopted the discounted cash flow methodology for the valuation which involves the calculation of the net present values of the Sale Assets by discounting the expected future cash flows to be generated by such assets.

The Vendor and the Purchaser agreed that the Purchaser shall own the rights and obligations of the Sale Assets from the effective date of the Acquisition Agreement.

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4. Post-completion

Upon Acquisition Completion, the Vendor will transfer the rights and controlling rights of the Sale Assets to the Purchaser, while the Purchaser shall apply its own resources for maintenance, upgrading and enhancement of the Sale Assets and enjoy their income rights.

Upon Acquisition Completion, the Group will have completed the acquisition of all civil communication assets of the Beijing Subway owned by BII. The Group will be providing civil communication transmission system leasing services to an aggregate of 175 stations of 15 subway lines of the Beijing Subway (excluding the stations and the subway lines invested and developed by the Group). In respect of the Future Civil Communication Business, the Purchaser shall apply its own resources for investment and construction, and negotiate and seek cooperation with the telecommunication companies on its own in relation to any agreement regarding the use of related resources or cooperation agreement.

Further, the Vendor undertakes that it shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of the Vendor and any company in which the Vendor or its affiliates has a controlling interest or shareholding and/or companies controlled by the Vendor shall engage in any business or activity similar to or which competes directly or indirectly or may compete with the civil communication business carried out by the Group.

5. Conditions precedent to the Acquisition Agreement

Acquisition Completion is conditional upon fulfillment of the following conditions:

- (a) the Purchaser conducting a due diligence review of the Sale Assets and being satisfied with the results of the due diligence review;
- (b) the obtaining of a legal opinion (the context of which can be reasonably requested by the Purchaser) issued by a PRC legal adviser designated by the Purchaser covering matters relating to the Acquisition;
- (c) the performance of the internal procedures, asset valuation and other related procedures regarding the Sale Assets by the Vendor in accordance with the applicable law and regulations;
- (d) the performance of all procedures required for the Acquisition, Acquisition Completion and the transactions contemplated thereunder by the Vendor in accordance with the applicable law and regulations;
- (e) the performance of all procedures required for the Acquisition, Acquisition Completion and the transactions contemplated thereunder by the Purchaser in accordance with the applicable law and regulations and its memorandum and articles of association;

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- (f) the passing of the relevant resolution(s) by the Independent Shareholders approving the Acquisition Agreement and transactions contemplated thereunder;
- (g) all transaction documents having been legally signed by the relevant parties;
- (h) the Purchaser having understood the details of the Sale Assets and agreed to the terms and conditions of the Acquisition offered by the Vendor;
- (i) the Purchaser being satisfied that all of the Vendor's warranties and undertakings remain true and accurate and not misleading in any material respect, any inconsistency of the Vendor's warranties and undertakings having been properly disclosed and no event or circumstance has occurred that would result in any material adverse change at all times from the date of the Acquisition Agreement up to the date of Acquisition Completion; and
- (j) filing of the relevant transfer of state-owned assets pursuant to the Acquisition Agreement has been completed at the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

Each of the Purchaser and the Vendor may at its absolute discretion waive any of the above conditions on or before 31 December 2016 (or such other date as may be agreed by the parties in writing). In the event that any of the above conditions precedent are not fulfilled or waived (where applicable) and remain unfulfilled on or before 31 December 2016 (or such later date as may be agreed by the parties in writing), the Acquisition Agreement shall lapse and no party to the Acquisition Agreement will have any further rights or obligations under the Acquisition Agreement except in respect of the specific provisions as set out in the Acquisition Agreement which will continue in full force and effect and no party to the Acquisition Agreement shall have any claim against or liability to the other party, save for antecedent breaches of the Acquisition Agreement.

6. Acquisition Completion

Acquisition Completion shall take place on the day following the date on which (i) all the conditions precedent to the Acquisition Agreement have been fulfilled or effectively waived; and (ii) the Consideration has been paid by the Purchaser pursuant to the Acquisition Agreement, or such other date as the parties to the Acquisition Agreement may agree in writing.

III. INFORMATION ON THE GROUP

The Group is principally engaged in (i) provision of application solution services in relation to system integration (mainly to provide application system, concrete and all-rounded application solutions and the required software and hardware according to the needs of customers); (ii) provision of operational maintenance of application solution services; and (iii) leasing of civil communication transmission system in subways.

LETTER FROM THE BOARD

IV. INFORMATION ON THE VENDOR

The Vendor held approximately 34.03% of the issued share capital of the Company as at the Latest Practicable Date. BII is a major railway investor and operator in Beijing, the PRC, and is principally engaged in the areas of financing, pre-planning, capital operation as well as resources development and management of rail transportation and other infrastructure projects.

V. INFORMATION ON THE SALE ASSETS

Pursuant to the valuation report performed by Colliers, the appraised value of the Sale Assets as at 30 June 2016 was approximately RMB58,180,000 (equivalent to approximately HK\$68,652,400). The unaudited net profits before taxation and extraordinary items attributable to the Sale Assets for each of the two years ended 31 December 2015 were nil and approximately RMB2,380,000 (equivalent to approximately HK\$2,808,000) respectively. The unaudited net profits after taxation and extraordinary items attributable to the Sale Assets for each of the two years ended 31 December 2015 were nil and approximately RMB2,380,000 (equivalent to approximately HK\$2,808,000) respectively.

For the year ended 31 December 2014, no revenue was generated from the Sale Assets as the operation of the civil communication transmission systems of Phase 2 of Line No. 6, Line No. 7 and Phase 1 West of Line No. 15 had not yet commenced; and the relevant revenue contracts in respect of Phase 1 East of Line No. 15 and Changping Line No. 8 were entered into in 2015, therefore, the revenue has only been recognised since 2015. For the year ended 31 December 2015, the unaudited net profits before and after taxation and extraordinary items of the Sale Assets reflected the amount generated from the civil communication transmission systems of the stations of Phase 1 East of Line No. 15 and Changping Line No. 8 of the Beijing Subway, as the relevant revenue contracts in respect of the civil communication transmission systems of Phase 2 of Line No. 6, Line No. 7 and Phase 1 West of Line No. 15 were entered into in 2016, therefore, the relevant revenue in respect of these three lines were only recognised since 2016.

VI. REASONS FOR AND BENEFITS OF THE ACQUISITION

Since the Previous Acquisitions, the Group had also begun investment and construction of the civil communication transmission systems of Phase 2 of the Changping Line of the Beijing Subway at the end of 2015 and such systems in the six stations of phase 2 of the Changping Line have been in use since the beginning of 2016. Upon Acquisition Completion, the Group will have completed the acquisition of all civil communication assets of the Beijing Subway owned by BII, and the Group would be providing civil communication transmission system leasing services to an aggregate of 175 stations of 15 subway lines of the Beijing Subway (excluding the stations and the subway lines invested and developed by the Group). The Board believes that the Acquisition represents a valuable opportunity for the Group to assist in the development of the Beijing Subway which is part of the transportation value chain, and also further strengthen its foothold in the provision of civil communication transmission services to the Beijing Subway.

LETTER FROM THE BOARD

Through further acquisition of the civil communication transmission assets in the Beijing Subway, the Group's light assets will also be strengthened. The Acquisition will help meet the Group's objective to increase its revenue and profit and enhance its financial performance, and will be beneficial to the future growth and business development of the Group, thus enhancing the overall competitive edge of the Group in the industry.

After taken into account, among others, (i) the opportunity to enhance the Group's income and profit; and (ii) the basis of the Consideration as mentioned above, the Directors consider that despite the entering into of the Acquisition Agreement is not in the ordinary and usual course of business of the Company, the terms of the Acquisition Agreement and the transactions contemplated thereunder are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms; and (iii) in the interests of the Group and the Shareholders as a whole.

VII. IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios for the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

As at the Latest Practicable Date, BII HK held 488,581,376 Shares, representing approximately 34.03% of the issued share capital of the Company. BII HK is a Substantial Shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules. The Vendor, as the sole owner of BII HK, is an associate of BII HK and hence a connected person of the Company. The Acquisition constitutes a connected transaction for the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. An Independent Board Committee has been established to advise the Independent Shareholders in respect of the Acquisition. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder. The Company will seek the Independent Shareholders' approval for the Acquisition Agreement at the EGM.

Dr. Tian Zhenqing, a non-executive Director, was the chairman of BII. Mr. Hao Weiya, being a non-executive Director, was the general manager of BII. Mr. Guan Jifa, a non-executive Director, was the vice general manager of BII. Mr. Cao Wei, an executive Director, was a director of Beijing BII. Ms. Xuan Jing, an executive Director, was the general manager of the capital and operation department of BII and a director of Beijing BII. Mr. Shao Kai, an executive Director, was the chief expert of BII. Accordingly, each of Dr. Tian Zhenqing, Mr. Hao Weiya, Mr. Cao Wei, Mr. Guan Jifa, Ms. Xuan Jing and Mr. Shao Kai, was considered to have a material interest in the transactions contemplated under the Acquisition Agreement by virtue of their senior management position held in BII and Beijing BII respectively and had abstained voting on the board resolutions approving the transactions contemplated under the Acquisition Agreement.

LETTER FROM THE BOARD

VIII. EGM

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, 1 November 2016 at 2:30 p.m. is set out on page EGM-1 to EGM-2 of this circular. Ordinary resolutions will be proposed at the EGM to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder by way of poll, the results of which will be announced after the EGM.

As at the Latest Practicable Date, the Vendor held the entire issued share capital of BII HK, which held approximately 34.03% of the issued share capital of the Company. BII HK will be required to abstain from voting on the resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Acquisition Agreement and will be required to abstain from voting on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

IX. RECOMMENDATION

The Directors (including Independent Board Committee after considering the advice of the Independent Financial Adviser) consider that despite the entering into of the Acquisition Agreement is not in the ordinary and usual course of business of the Company, the terms of the Acquisition Agreement and the transactions contemplated thereunder are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms; and (iii) in the interests of the Group and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Your attention is drawn to:

- (a) this letter from the Board;
- (b) a letter of recommendation from the Independent Board Committee is set out on pages 15 to 16 of this circular; and
- (c) a letter from Goldin, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 36 of this circular.

LETTER FROM THE BOARD

X. FURTHER INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder:


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: 1522)

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
RELATING TO THE ACQUISITION OF SALE ASSETS**

We refer to the circular dated 14 October 2016 (the “Circular”) to the Shareholders of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. Goldin has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons Goldin has taken into consideration in giving such advice are set out in the “Letter from Goldin” in the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendices thereto.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Acquisition Agreement and the transactions contemplated thereunder, we are of the opinion that despite the entering into of the Acquisition Agreement is not in the ordinary and usual course of business of the Company, the terms of the Acquisition Agreement and the transactions contemplated thereunder are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms; and (iii) in the interests of the Group and the Shareholders as a whole. We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Bai Jinrong
Independent
non-executive Director

Luo Zhenbang
Independent
non-executive Director

Huang Lixin
Independent
non-executive Director

LETTER FROM GOLDIN

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



GOLDIN FINANCIAL LIMITED
高銀融資有限公司

Goldin Financial Limited
Suites 2202-2209, 22/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

14 October 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO THE ACQUISITION OF SALE ASSETS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular dated 14 October 2016 issued by the Company (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 26 September 2016, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Assets (being the civil communication transmission systems of 41 underground stations in aggregate of four subway lines of the Beijing Subway and the civil communication wireless coverage system of one subway line of the Beijing Subway, in particular, (i) the fixed assets of and the income rights to be derived from the civil communication transmission systems of Phase 2 of Line No. 6, Line No. 7, Phase 1 East and West of Line No. 15 and Changping Line No. 8 of the Beijing Subway (the “**Four Subway Lines**”); (ii) the fixed assets of and the income rights to be derived from the civil communication wireless coverage system of Phase 1 East of Line No. 15 of the Beijing Subway; and (iii) the rights and obligations under certain underlying contracts) from the Vendor at a consideration of RMB57,800,000.

Upon Acquisition Completion, the Vendor will transfer the rights and controlling rights of the Sale Assets to the Purchaser, while the Purchaser shall apply its own resources for maintenance, upgrading and enhancement of the Sale Assets and enjoy their income rights.

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Upon Acquisition Completion, the Group will have completed the acquisition of all civil communication assets of the Beijing Subway owned by BII. The Group will be providing civil communication transmission systems leasing services to an aggregate of 175 stations of 15 subway lines of the Beijing Subway (excluding the stations and the subway lines invested and developed by the Group). In respect of the civil communication transmission systems of the future lines of the Beijing Subway (the “**Future Civil Communication Business**”), the Purchaser shall apply its own resources for investment and construction, and negotiate and seek cooperation with telecommunication companies on its own in relation to any agreement regarding the use of related resources or cooperation agreement.

Further, the Vendor undertakes that it shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of the Vendor and any company in which the Vendor or its affiliates has a controlling interest or shareholding and/or companies controlled by the Vendor shall engage in any business or activity similar to or which competes directly or indirectly or may compete with the civil communication business carried out by the Group.

As the applicable percentage ratios for the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

As at the Latest Practicable Date, BII HK held 488,581,376 Shares, representing approximately 34.03% of the issued share capital of the Company. BII HK is a Substantial Shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules. The Vendor, as the sole owner of BII HK, is an associate of BII HK and hence a connected person of the Company. The Acquisition constitutes a connected transaction for the Company, and is subject to the announcement, reporting and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Dr. Tian Zhenqing, a non-executive Director, was the chairman of BII. Mr. Hao Weiya, being a non-executive Director, was the general manager of BII. Mr. Guan Jifa, a non-executive Director, was the vice general manager of BII. Mr. Cao Wei, an executive Director, was a director of Beijing BII. Ms. Xuan Jing, an executive Director, was the general manager of the capital and operation department of BII and a director of Beijing BII. Mr. Shao Kai, an executive Director, was the chief expert of BII. Accordingly, each of Dr. Tian Zhenqing, Mr. Hao Weiya, Mr. Cao Wei, Mr. Guan Jifa, Ms. Xuan Jing and Mr. Shao Kai, was considered to have a material interest in the transactions contemplated under the Acquisition Agreement by virtue of their senior management position held in BII and Beijing BII respectively and had abstained voting on the board resolutions approving the transactions contemplated under the Acquisition Agreement.

The EGM will be convened for the purpose of considering and, if deemed appropriate, approving, among other things, the Acquisition Agreement and the transactions contemplated thereunder by way of poll.

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As at the Latest Practicable Date, the Vendor held the entire issued share capital of BII HK which held approximately 34.03% of the issued share capital of the Company. BII HK will be required to abstain from voting on the resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Acquisition Agreement and will be required to abstain from voting on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin, has been established to make recommendations to the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement and the transactions contemplated thereunder are normal commercial terms and fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote taking into account the recommendations of the Independent Financial Adviser.

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 Acquisition Agreement and the transactions contemplated thereunder, and to make a recommendation as to, among others, whether the terms and conditions of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole and as to voting in respect of the relevant resolution(s) at the EGM. Our appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, Goldin did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Goldin. In the last two years, Goldin has been appointed as the independent financial adviser to the then independent board committee and the then independent shareholders of the Company, details of such appointments are set out in the circulars of the Company dated 10 June 2015, 27 July 2015, 1 June 2016 and 6 October 2016, respectively. Apart from normal professional fees paid to us in connection with such appointments, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition Agreement and the transactions contemplated thereunder.

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BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the announcement of the Company dated 26 September 2016 (the “**Announcement**”), the Acquisition Agreement, the annual reports of the Group for the eighteen months ended 31 December 2014 and the year ended 31 December 2015, respectively (the “**Annual Report 2014**” and the “**Annual Report 2015**”, respectively), and the interim report of the Group for the six months ended 30 June 2016 (the “**Interim Report 2016**”). We have also reviewed certain information provided by the management of the Company relating to the operations, financial condition 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 Acquisition Agreement and the transactions contemplated thereunder, the businesses and future outlook of the Group. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon them in formulating our opinion, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes (if any) as soon as possible.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts 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 currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for entering into, the Acquisition Agreement and the transactions contemplated thereunder 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, conducted any form of in-depth investigation into the businesses and affairs or other prospects of the Group or its associates. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

This letter is issued as our advice for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition Agreement and the transactions contemplated thereunder. This letter, 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.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our opinion and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

1. Business and financial information of the Group

The Group is principally engaged in (i) provision of application solution services in relation to system integration (mainly to provide application system, concrete and all-rounded application solutions and the required software and hardware according to the needs of customers); (ii) provision of operational maintenance of application solution services; and (iii) leasing of civil communication transmission system in subways.

Set out below are certain audited financial information of the Group for the year ended 30 June 2013, the eighteen months ended 31 December 2014 and the year ended 31 December 2015 as extracted from the Annual Report 2014, the Annual Report 2015, and certain unaudited financial information of the Group for the six months ended 30 June 2016 as extracted from the Interim Report 2016:

Financial highlights of the Group

	For the year ended 31 December 2015 <i>(audited)</i> HK\$'000	For the eighteen months ended 31 December 2014 <i>(audited)</i> HK\$'000	For the year ended 30 June 2013 <i>(audited)</i> HK\$'000	For the six months ended 30 June 2016 <i>(unaudited)</i> HK\$'000	For the six months ended 30 June 2015 <i>(unaudited)</i> HK\$'000
Revenue	320,782	657,241	254,135	128,205	147,284
Profit attributable to equity Shareholders for the year/period	22,945	65,042	59,042	14,765	25,935

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	As at 31 December		As at 30 June	As at 30 June
	2015	2014	2013	2016
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	315,212	261,007	133,303	604,750
Current assets	1,231,066	1,165,578	559,275	963,107
Current liabilities	299,695	408,800	198,115	310,986
Net current assets	931,371	756,778	361,160	652,121
Non-current liabilities	25,081	18,199	5,111	23,669
Net assets	1,221,502	999,586	489,352	1,233,202

For the eighteen months ended 31 December 2014

For the eighteen months ended 31 December 2014, the Group's revenue increased by approximately 158.61% from approximately HK\$254.14 million for the financial year ended 30 June 2013 to approximately HK\$657.24 million for the eighteen months ended 31 December 2014, or for illustrative purpose only, increased by approximately 72.41% to approximately HK\$438.16 million on an annualised basis. The substantial increase was partially attributable to an extended accounting period of eighteen months being reported on when compared with the previous period of twelve months ended 30 June 2013.

The Group's revenue arising from design and implementation of application solution service segment increased by approximately 205.86% from approximately HK\$95.29 million for the financial year ended 30 June 2013 to approximately HK\$291.45 million for the eighteen months ended 31 December 2014, or for illustrative purpose only, increased by approximately 103.90% to approximately HK\$194.30 million on an annualised basis. Such increases was mainly attributable to the provision of services of the Beijing Subway ticket reform project, the new Multiple Line Centre project for Beijing MTR Corporation Limited, the Beijing Subway multiple line Passenger Information System project, and the automated fare collection clearing centre system ("**ACC System**") and the traffic control centre system integration project for new subway lines in Beijing. Apart from Beijing, the Group had also won tenders to undertake certain automatic fare collection ("**AFC**") projects for MTR Corporation Ltd. in Hong Kong.

The Group's revenue arising from maintenance of application solution service segment increased by approximately 54.92% from approximately HK\$64.09 million for the financial year ended 30 June 2013 to approximately HK\$99.29 million for the eighteen months ended 31 December 2014, or for illustrative purpose only,

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increased by approximately 3.28% to approximately HK\$66.19 million on an annualised basis. Such increases were primarily attributable to an extended accounting period of eighteen months being reported on when compared with the previous period of twelve months ended 30 June 2013 and the winning of a number of new maintenance services contracts in relation to the systems previously constructed by the Group upon the expiration of the warranty period.

The Group's revenue arising from the sales of application solution software segment increased by approximately 225.16% from approximately HK\$11.29 million for the financial year ended 30 June 2013 to approximately HK\$36.71 million for the eighteen months ended 31 December 2014, or for illustrative purpose only, increased by approximately 116.74% to approximately HK\$24.47 million on an annualised basis. Such increase was mainly attributable to the development of the railway transportation asset management information system software to diversify the existing software product supplies and partly attributable to an extended accounting period of eighteen months being reported on when compared with the previous period of twelve months ended 30 June 2013.

The Group's revenue arising from the sales of application solution related hardware and spare parts segment increased by approximately 157.44% from approximately HK\$83.46 million for the financial year ended 30 June 2013 to approximately HK\$214.86 million for the eighteen months ended 31 December 2014, or for illustrative purpose only, increased by approximately 71.63% to approximately HK\$143.24 million on an annualised basis. Such growth was mostly attributable to the sales of hardware and spare parts in relation to the AFC system upgrade for existing subway lines in Beijing.

The Group's revenue arising from civil communication transmission system leasing service segment was approximately HK\$14.95 million. This business segment had only been established after the acquisition of the civil communication assets involving eight subway lines of Beijing Subway, which include (i) the fixed assets in relation to the civil communication transmission facilities of seven subway lines of Beijing Subway and the income rights therefrom; and (ii) the income rights in relation to the civil communication transmission facilities of the airport line of the Beijing Subway, therefore, the reported revenue of HK\$14.95 million only represented four months' rental income.

The Group's profit attributable to equity Shareholders of the Company increased by approximately 10.16% from approximately HK\$59.04 million for the financial year ended 30 June 2013 to approximately HK\$65.04 million for the eighteen months ended 31 December 2014, or for illustrative purpose only, decreased by approximately 26.56% to approximately HK\$43.36 million on an annualised basis. Such growth in terms of the comparison between the financial year ended 30 June 2013 and the eighteen months ended 31 December 2014 was mainly attributable to an extended accounting period of eighteen months being reported on when compared with the previous period of twelve months ended 30 June 2013, however, the effect of which was partially offset by the increase in selling, general and administrative expenses during the eighteen months ended 31

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December 2014 when compared with that for the twelve months ended 30 June 2013, which increased by approximately 293.10% from approximately HK\$33.92 million for the financial year ended 30 June 2013 to approximately HK\$133.34 million for the eighteen months ended 31 December 2014.

As at 31 December 2014, the audited net current assets and net assets of the Group amounted to approximately HK\$756.78 million and approximately HK\$999.59 million, respectively, while as at 30 June 2013, the audited net current assets and net assets of the Group amounted to approximately HK\$361.16 million and approximately HK\$489.35 million, respectively.

For the financial year ended 31 December 2015

For the financial year ended 31 December 2015, the Group's revenue decreased by approximately 51.19% from approximately HK\$657.24 million for the eighteen months ended 31 December 2014 to approximately HK\$320.78 million for the financial year ended 31 December 2015, or for illustrative purpose only, decreased by approximately 26.79% from approximately HK\$438.16 million on an annualised basis. The decrease was mainly attributable to the difference in the duration of accounting periods between the current (twelve months ended 31 December 2015) and the last (eighteen months ended 31 December 2014) financial year due to the change of financial year end date from 30 June to 31 December during the last financial year as set out in the Company's announcement dated 25 February 2014 and the decrease in the Group's segment revenue in the design and implementation of application solution service segment, the maintenance of application solution service segment and the sales of application solution related hardware and spare parts segment (please see below for further discussion on each segment performance).

The Group's revenue arising from design and implementation of application solution service segment decreased by approximately 82.48% from approximately HK\$291.45 million for the eighteen months ended 31 December 2014 to approximately HK\$51.07 million for the financial year ended 31 December 2015, or for illustrative purpose only, decreased by approximately 73.72% from approximately HK\$194.30 million on an annualised basis. Such decrease was largely attributable to (i) the accounting period was extended to eighteen months for the last financial year (eighteen months ended 31 December 2014), while the accounting period for the current financial year (twelve months ended 31 December 2015) was twelve months, therefore, the revenue accounted for the current financial year was six months fewer than that of the last financial year; and (ii) the tender process for certain major design and implementation of application solution service projects was postponed due to the general slowdown of urban railway construction in Beijing during the twelve months ended 31 December 2015.

The Group's revenue arising from maintenance of application solution service segment decreased by approximately 42.16% from approximately HK\$99.29 million for the eighteen months ended 31 December 2014 to approximately HK\$57.43 million for the financial year ended 31 December 2015, or for illustrative purpose

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only, decreased by approximately 13.23% from approximately HK\$66.19 million on an annualised basis. Such decrease was primarily attributable to (i) the accounting period was extended to eighteen months for the last financial year (eighteen months ended 31 December 2014), while the accounting period for the current financial year (twelve months ended 31 December 2015) was twelve months, therefore, the revenue accounted for the current financial year was six months fewer than that of the last financial year; and (ii) certain non-recurring maintenance contracts had already been completed during the eighteen months ended 31 December 2014.

The Group's revenue arising from the sales of application solution software segment increased by approximately 76.98% from approximately HK\$36.71 million for the eighteen months ended 31 December 2014 to approximately HK\$64.97 million for the financial year ended 31 December 2015, or for illustrative purpose only, increased by approximately 165.51% from approximately HK\$24.47 million on an annualised basis. Such increase was primarily arising from the sale of the self-developed ticketing software and the ACC system software during the twelve months ended 31 December 2015.

The Group's revenue arising from the sales of application solution related hardware and spare parts segment decreased by approximately 69.94% from approximately HK\$214.86 million for the eighteen months ended 31 December 2014 to approximately HK\$64.59 million for the financial year ended 31 December 2015, or for illustrative purpose only, decreased by approximately 54.91% from approximately HK\$143.24 million on an annualised basis. Such decrease was mostly attributable to (i) the accounting period was extended to eighteen months for the last financial year (eighteen months ended 31 December 2014), while the accounting period for the current financial year (year ended 31 December 2015) was twelve months, therefore, the revenue accounted for the current financial year was six months fewer than that of the last financial year; and (ii) the general slowdown of urban railway construction in Beijing during the twelve months ended 31 December 2015 adversely affected the sales in related hardware and spare parts.

The Group's revenue arising from civil communication transmission system leasing service segment increased by approximately 453.38% from approximately HK\$14.95 million for the eighteen months ended 31 December 2014 to approximately HK\$82.73 million for the financial year ended 31 December 2015, or for illustrative purpose only, increased by approximately 729.79% from approximately HK\$9.97 million on an annualised basis. Such increase was mostly attributable to (i) the Group only commenced this business since September 2014 following the acquisition of the civil communication assets, therefore only four months' revenue were accounted for during the eighteen months ended 31 December 2014 in contrary to twelve months' revenue during the twelve months ended 31 December 2015; and ii) the Group had acquired additional civil communication assets during the twelve months ended 31 December 2015, thus generated more revenue as compared to the eighteen months ended 31 December 2014.

The Group's profit attributable to equity Shareholders of the Company decreased by approximately 64.71% from approximately HK\$65.04 million for the

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eighteen months ended 31 December 2014 to approximately HK\$22.95 million for the financial year ended 31 December 2015, or for illustrative purpose only, decreased by approximately 47.07% from approximately HK\$43.36 million on an annualised basis. Such decrease was mainly attributable to i) the accounting period was extended to eighteen months for the last financial year (eighteen months ended 31 December 2014), while the accounting period for the current financial year (twelve months ended 31 December 2015) was twelve months, therefore the profit attributable to equity shareholders of the Company accounted for the current financial year was six months fewer than that of the last financial twelve months; and ii) the general drop in revenue due to the slowdown in urban railway construction in Beijing during the twelve months ended 31 December 2015.

As at 31 December 2015, the audited net current assets and net assets of the Group amounted to approximately HK\$931.37 million and approximately HK\$1,221.50 million, respectively, while as at 31 December 2014, the audited net current assets and net assets of the Group amounted to approximately HK\$756.78 million and approximately HK\$999.59 million, respectively.

For the six months ended 30 June 2016

For the six months ended 30 June 2016, the Group's revenue decreased by approximately 12.95% from approximately HK\$147.28 million for the six months ended 30 June 2015 to approximately HK\$128.21 million for the six months ended 30 June 2016. The decrease was mainly attributable to the decrease in the segment revenue of the provision of design, implementation and sale of application solution services and the provision of maintenance of application solution services.

The Group's revenue arising from the provision of design, implementation and sale of application solution services decreased by approximately 42.52% from approximately HK\$95.11 million for the six months ended 30 June 2015 to approximately HK\$54.67 million for the six months ended 30 June 2016. Such decrease was mainly because most projects recently implemented were in the process of initial design and hardware supply, for which software development and system integration have not been completed. As such, for the six months ended 30 June 2016, the Group merely recognised partial revenue derived from hardware supply, while the majority of revenue from software and services has not been recognised. Besides, the number of urban railway transportation construction projects offered for tender decreased recently in Beijing, and the bidding of expected projects relating to construction of new railway lines and metro network system have not yet commenced.

The Group's revenue arising from the provision of maintenance of application solution services decreased by approximately 3.97% from approximately HK\$26.21 million for the six months ended 30 June 2015 to approximately HK\$25.17 million for the six months ended 30 June 2016. Such decrease was primarily attributable to all of the service contracts were still within the contract period during the period under review, with a slight decrease as of 30 June 2016 as compared to the corresponding period in 2015 due to the provision of a small scale one-off spare parts maintenance service during the six months ended 30 June 2015.

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The Group's revenue arising from the lease of civil communication transmission systems increased by approximately 86.25% from approximately HK\$25.97 million for the six months ended 30 June 2015 to approximately HK\$48.37 million for the six months ended 30 June 2016. According to the Interim Report 2016, there was no such revenue in relation to other three lines of civil communication assets of BII for the six months ended 30 June 2015 as the Group completed the acquisition of such three lines in August 2015 as disclosed in the announcements of the Company dated 29 June 2015 and the circular of the Company dated 27 July 2015. No related revenue from the aforesaid three lines was recorded for the six months ended 30 June 2015. And also, the revenue for the six months ended 30 June 2016 comprised 2G and 3G leasing income from three telecom operators as well as 4G leasing income from two telecom operators arising from the acquisition of the civil communication transmission systems in September 2014 and August 2015, respectively.

The Group's profit attributable to equity Shareholders of the Company decreased by approximately 43.06% from approximately HK\$25.94 million for the six months ended 30 June 2015 to approximately HK\$14.77 million for the six months ended 30 June 2016. Such decrease was mainly attributable to the decrease in gross profit which was mainly the result of the counter drop in revenue and the increase in cost of sales for the six months ended 30 June 2016 as compared to the corresponding period in 2015.

As at 30 June 2016, the unaudited net current assets and net assets of the Group amounted to approximately HK\$652.12 million and approximately HK\$1,233.20 million, respectively, while as at 31 December 2015, the audited net current assets and net assets of the Group amounted to approximately HK\$931.37 million and approximately HK\$1,221.50 million, respectively.

2. Information of the Vendor and the Sale Assets

The Vendor held approximately 34.03% of the issued share capital of the Company as at the Latest Practicable Date. BII is a major railway investor and operator in Beijing, the PRC, and is principally engaged in the areas of financing, pre-planning, capital operation as well as resources development and management of rail transportation and other infrastructure projects.

The Sale Assets are the civil communication transmission systems of 41 underground stations in aggregate of four subway lines of the Beijing Subway and the civil communication wireless coverage system of one subway line of the Beijing Subway, in particular, (i) the fixed assets of and the income rights to be derived from the civil communication transmission systems of the Four Subway Lines; (ii) the fixed assets of and the income rights to be derived from the civil communication wireless coverage system of Phase 1 East of Line No. 15 of the Beijing Subway; and (iii) the rights and obligations under certain underlying contracts.

The rights and obligations referred to in (iii) above are those of the Vendor under various contracts to which the Vendor is a party, which comprise, (a) various revenue contracts with the telecommunications companies whereby the Vendor enjoys the income rights for renting and licensing the use of the civil communication transmission system of the Four Subway Lines; and (b) various expenses contracts with the service providers

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whereby the Vendor undertakes to pay a service fee for the civil communication transmission system maintenance services of the Four Subway Lines provided by such service providers. As at the Latest Practicable Date, Mr. Cao Wei was a director of one of such service providers.

Pursuant to the Valuation Report, the appraised value of the Sale Assets as at 30 June 2016 was RMB58,180,000 (equivalent to approximately HK\$68,652,400). The unaudited net profits before taxation and extraordinary items attributable to the Sale Assets for each of the two years ended 31 December 2015 was nil and approximately RMB2,380,000 (equivalent to approximately HK\$2,808,400), respectively. The unaudited net profits after taxation and extraordinary items attributable to the Sale Assets for each of the two years ended 31 December 2015 was nil and approximately RMB2,380,000 (equivalent to approximately HK\$2,808,400), respectively.

For the year ended 31 December 2014, no revenue was generated from the Sale Assets as the operation of the civil communication transmission systems of Phase 2 of Line No. 6, Line No. 7 and Phase 1 West of Line No. 15 had not yet commenced; and the relevant revenue contracts in respect of Phase 1 East of Line No. 15 and Changping Line No. 8 were entered into in 2015, therefore, the revenue has only been recognised since 2015. For the year ended 31 December 2015, the unaudited net profits before and after taxation and extraordinary items of the Sale Assets reflected the amount generated from the civil communication transmission systems of the stations of Phase 1 East of Line No. 15 and Changping Line No. 8 of the Beijing Subway, as the relevant revenue contracts in respect of the civil communication transmission systems of Phase 2 of Line No. 6, line No. 7 and Phase 1 West of line No. 15 were entered into in 2016, therefore, the relevant revenue in respect of these three lines were only recognised since 2016.

Taking into account the historical profitable track record and the increasing revenue generating capability of the Sale Assets, we are of the view that the Acquisition is expected to bring in a stable income stream to the Company and is in the interest of the Company and the Shareholders as a whole.

3. Reasons for and benefits of entering into of the Acquisition Agreement

Reference is made to the announcements of the Company dated 8 July 2014 and 29 June 2015 in relation to, among others, the acquisition agreements whereby the Vendor had transferred to the Purchaser the fixed assets and the income rights of the civil communication transmission systems of certain subway lines of the Beijing Subway ("**Previous Acquisitions**"). The Vendor undertook to transfer at an appropriate time the fixed assets and the income rights to be derived from the civil communication system for all lines of the Beijing Subway in which the Vendor has invested and constructed but yet to complete and settle as at the date of the said acquisition agreements at a reasonable consideration to the Purchaser. Accordingly, the Purchaser and the Vendor entered into the Acquisition Agreement on 26 September 2016 (after trading hours).

Since the Previous Acquisitions, the Group had also begun investment and construction of the civil communication transmission systems of Phase 2 of the Changping Line of the Beijing Subway at the end of 2015 and such systems in the six stations of the Changping Line have been in use since the beginning of 2016.

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Upon Acquisition Completion, the Vendor will transfer the rights and controlling rights of the Sale Assets to the Purchaser, while the Purchaser shall apply its own resources for maintenance, upgrading and enhancement of the Sale Assets and enjoy their income rights.

Upon Acquisition Completion, the Group will have completed the acquisition of all civil communication assets of the Beijing Subway owned by BII. The Group will be providing civil communication transmission system leasing services to an aggregate of 175 stations of 15 subway lines of the Beijing Subway (excluding the stations and the subway lines invested and developed by the Group). In respect of the Future Civil Communication Business, the Purchaser shall apply its own resources for investment and construction, and negotiate and seek cooperation with the telecommunication companies on its own in relation to any agreement regarding the use of related resources or cooperation agreement.

Further, the Vendor undertakes that it shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of the Vendor and any company in which the Vendor or its affiliates has a controlling interest or shareholding and/or companies controlled by the Vendor shall engage in any business or activity similar to or which competes directly or indirectly or may compete with the civil communication business carried out by the Group.

To the best knowledge of the Directors, the Company is permitted under the PRC laws and regulations to run the business of the Sale Assets and no license is required for operating the Sale Assets.

The Board believes that the Acquisition represents a valuable opportunity for the Group to assist in the development of the Beijing Subway which is part of the transportation value chain, and also further strengthen its foothold in the provision of civil communication transmission services to the Beijing Subway. Through further acquisition of the civil communication transmission assets in the Beijing Subway, the Group's light assets will also be strengthened. The Acquisition will help meet the Group's objective to increase its revenue and profit and enhance its financial performance, and will be beneficial to the future growth and business development of the Group, thus enhancing the overall competitive edge of the Group in the industry.

In addition to the increasing scale of the civil communication transmission systems of the Beijing Subway, the Acquisition is expected to enable the Group to expand its business scope covering the civil communication wireless coverage system of Phase 1 East of Line No. 15 of the Beijing Subway with an objective to broaden its income source and enhance its financial performance. The Board believes the Acquisition will be beneficial to the future growth and business development of the Group and enhance the competitive edge of the Group in the industry as a whole.

In assessing the future prospect of railway transportation industry in the PRC, we have conducted research from the public domain. 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 2015 Beijing Statistical Yearbook published

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by the Beijing Municipal Bureau of Statistics (<http://www.bjstats.gov.cn/>), 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 3.20 billion visits in 2013 to approximately 3.39 billion visits in 2014, representing a year-on-year growth rate of approximately 5.94%. Whilst to cope with the increasing usage of the Beijing railway network, the length of the railway network was increased by approximately 13.33% to 527 kilometers in 2014, with 666 units of new railway vehicles put into service, adding to a total of 4,664 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 (<http://www.bjstats.gov.cn/nj/main/2015-tjnj/zk/indexch.htm>).

In addition, according to “北京市城市轨道交通第二期建設規劃” (The Second Phase of Development and Construction of Beijing City Railway Transportation*) published by the National Development and Reform Commission of the PRC on 14 September 2015 (<http://www.ndrc.gov.cn/zcfb/zcfbtz/201509/W020150929373375514600.pdf>), the length of subway network in Beijing is targeted to increase from 554 kilometers as at 30 April 2016 (http://www.bjstats.gov.cn/tjsj/sjjd/201605/t20160503_348809.html) to 1,177 kilometers at the end of 2020, representing an increase of approximately 112.45% during such period. It is estimated that Beijing will complete the construction of 12 new subway lines by the end of 2021.

Moreover, according to “Made in China 2025” (<http://english.gov.cn/>), being the first ten-year action plan of the PRC issued by the State Council on 19 May 2015, the sector of “high-end rail transportation equipment” has been identified as one of the ten key sectors of the country in the next ten years. As a result, it is expected that the future prospect of the railway transportation industry will be optimistic in the new few years in the PRC.

Having taken into consideration that (i) the Group is principally engaged in (a) provision of application solution services in relation to system integration (mainly to provide application system, concrete and all-rounded application solutions and the required software and hardware according to the needs of customers); (b) provision of operational maintenance of application solution services; and (c) leasing of civil communication transmission system in subways, while the Sale Assets are the civil communication transmission systems of 41 underground stations in aggregate of the Four Subway Lines and the civil communication wireless coverage system of one subway line of the Beijing Subway, in particular, (1) the fixed assets of and the income rights to be derived from the Four Subway Lines; (2) the fixed assets of and the income rights to be derived from the civil communication wireless coverage system of Phase 1 East of Line No. 15 of the Beijing Subway; and (3) the rights and obligations under certain underlying contracts; (ii) the profitable track record and the increasing revenue generating capability of the Sale Assets; (iii) the Acquisition is expected to bring in a stable source of income to the Group; and (iv) it is expected that the future prospect of the railway transportation industry will be optimistic in the next few years in the PRC, we are of the view that despite the entering into of the Acquisition Agreement is not in the ordinary and usual course of business of the Company, the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

* for identification purposes only

4. Principal terms of the Acquisition Agreement

The Consideration for the Acquisition pursuant to the Acquisition Agreement is RMB57,800,000 (equivalent to approximately HK\$68,204,000) and shall be paid by the Purchaser within five Business Days of the effective date of the Acquisition Agreement.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account (i) the appraised value of the Sale Assets as at 30 June 2016 based on the valuation (the "Valuation") performed by Colliers; (ii) the historical financial information including the revenue and profits generated from the Sale Assets; and (iii) the opportunity to diversify the business of the Group and potential returns from the investment in the Sale Assets which will contribute positively to the financial results of the Group.

According to the Valuation Report, the summary of which is contained in Appendix II to the Circular, the appraised value of the Sale Assets was RMB58,180,000 (equivalent to approximately HK\$68,652,400) as at 30 June 2016. The Consideration therefore represents a discount of approximately 0.65% to the Valuation.

For our due diligence purpose, we have reviewed the qualification and experience of Colliers in relation to the performance of the Valuation based on the information available. We noted that Colliers has experience in conducting valuation services for numerous sizeable enterprises covering a wide range of industries in the PRC. Colliers confirmed that it is an independent third party to the Company. Colliers also confirmed that all relevant material information provided by the Company had been incorporated in the Valuation Report and there were no other material relevant information or representations relating to the Sale Assets provided or made by the Company to it not having been included in the Valuation Report. In addition, we have also reviewed the terms of the engagement of Colliers and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report. Based on the above, we are of the view that the scope of work of Colliers is appropriate and Colliers is qualified to perform the Valuation.

We also enquired Colliers regarding the methodology of, and basis and assumptions adopted for the Valuation. We were advised by Colliers that in valuing the Sale Assets, Colliers adopted the basis of valuation and made the valuation assumptions in accordance with, among others, the Business Valuation Standards (First Printed 2005) published by the Hong Kong Valuation Forum and the International Valuation Standards 2013 issued by the International Valuation Standards Council.

We were given to understand that during the course in performing the Valuation, Colliers has implemented the following steps to formulate the basis and assumptions adopted for the Valuation, including but not limited to: (i) discussed with the management of the Company as to the purpose and the required scope of Valuation; (ii) conducted research from public resources; (iii) obtained all relevant financial and operational information of the subject assets and analysed the operation as well as

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revenue generating capability of the Sale Assets; and (iv) formulated and examined the valuation methodologies and all relevant basis and assumptions related to the Sale Assets based on all relevant information and analyses.

To determine the appraised value of the Sale Assets, we were given to understand that, of the three commonly adopted valuation approaches considered, namely the income approach, market approach and asset approach, Colliers has adopted the income approach which is based on discounted cash flow (“DCF”) methodology, after considering the following factors:

(i) *The market approach*

Colliers considered that the market approach to be inappropriate for the Valuation. Colliers noted that the main difficulty with this approach lies with the lack of financial information and full details regarding sales of similar assets, as BII, a company wholly owned by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality which is currently the sole owner of the Sale Assets, there is no comparable transactions relating to assets of nature similar to that of the Sale Assets in Beijing can be identified and therefore, the market approach is not applicable.

(ii) *The asset approach*

Colliers considered that the asset approach to be inappropriate for the Valuation, as it does not capture expected returns of the business and thus this method is not utilised in the Valuation Report.

(iii) *The income approach*

Colliers considered that the income approach to be the most appropriate for the Valuation. Colliers considered that, among the three approaches, the income approach is more appropriate for the Valuation. While useful for certain purposes, the asset approach does not take future earning potential of the Sale Assets into consideration. Market approach may be difficult to apply as it lacks identified sufficient market transactions which are comparable. Income approach allows for the prospective valuation of future profits and justifications for the present value of expected future cash flows to be generated by the subject assets, an approach suitable for the valuation of assets with individual revenue generating capability such as the Sale Assets, having considered the revenue nature of the Sale Assets through contract-based rental payment under the revenue contracts.

Having considered the respective downsides of the market approach and the cost approach, we are of the view that the income approach is the preferred approach for the Valuation.

The DCF methodology is a method to value the Sale Assets using the concepts of time value of money. All future cash flow are estimated and discounted to give them a present value. The discount rate used was the required rate of return of the market comparables.

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As per the research and discussion with the management for the Company, Colliers considered that the Sale Assets is better than ordinary projects in terms of design, equipment selection, technologies and construction quality, and hence Colliers adopted an economic life of 15 years of the Sale Assets. Taking into account that the reference to the 15-year period of economic is in line with 資產評估常用數據與參數手冊對機器設備經濟使用壽命參考表 (the Manual of Data and Parameters Frequently Used in Assets Valuation – the economic life of machinery and equipment, telecommunication equipment*), we are of the view that the adoption of the economic life of 15 years of the Sale Assets is fair and reasonable in this regard.

As advised by Colliers, weighted average cost of capital (“WACC”) was used as the discount rate in the Valuation. WACC, being the weighted average of the return on equity capital and the return on debt capital, is expressed in the following formula:

$$\text{WACC} = (E/V) \times Re + (D/V) \times Rd \times (1-Tc)$$

Where:

Re	=	Cost of equity
Rd	=	Cost of debt
E	=	Market value of the Company’s equity
D	=	Market value of the Company’s debt
V	=	E + D
E/V	=	Percentage of financing that is equity
D/V	=	Percentage of financing that is debt
Te	=	Tax rate

As shown in the above formula, WACC is mainly comprised of two components, being (i) the cost of equity; and (ii) the cost of debt. As advised by Colliers, the cost of debt amounts to 7.84%, which is determined with reference to the management of the Company’s expectation of the long-term cost of debt of the Company.

With respect to the cost of equity, we were given to understand that the Capital Assets Pricing Model (the “CAPM”), which is a widely accepted modern portfolio theory used in the pricing of risky securities, was used by Colliers. According to CAPM, cost of equity is equivalent to the risk-free rate plus a linear function of a measure of systematic risk (“Beta”) times the equity market premium for the PRC. Based on our discussion with Colliers, the applied risk-free rate is 2.86%, which was the yield of 10-year risk-free rate in the PRC as of the date of the Valuation. According to Colliers, the Beta, being a measure of the relationship between industry risk and the aggregate market, was determined after considering comparable companies identified by Colliers on its best-effort and unbiased selection basis, which gives an exhaustive list. We noted that all comparable companies are public companies listed in either Hong Kong or the PRC which operate in similar businesses as the Sale Assets, which we consider the selection criteria is reasonable and the sample list is fair and representative.

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Besides, several risk premiums were adopted as parameters of the CAPM, namely market risk premium, company specific risk premium and size premium which amounts to 7.18%, 1.00% and 3.74% respectively. As advised by Colliers in relation to the various risk premiums, we were given to understand that (i) the market premium is made reference to the total equity risk premium in the research by Professor Aswath Damodaran from New York University where he teaches corporate finance and equity valuation (He is best known as author of several widely used academic and practitioner texts on valuation, corporate finance and investment management. He has written several books on equity valuation, as well on corporate finance and investments. His research result in relation to equity risk premium is commonly adopted by valuers); (ii) company specific risk premium is the premium added to the cost of equity to reflect the additional risk factors specific to the Sale Assets, and the company specific risk factors may include: (a) lack of diversification; (b) customer concentration; (c) capability in capital financing; (d) distribution channel; (e) thin management; and (f) competition; and (iii) small company risk premium is the additional return required by small company investors to compensate the higher perceived risks of small companies, and the small company risk premium is made reference to “Duff & Phelps 2015 Valuation Handbook — Guide to Cost of Capital” (the “**Handbook**”). The Handbook is the study of historical capital markets data in the United States, which are commonly used by valuers, consultants, and analysts to analyze asset class performance.

As such, we are of the view that the discount rate, as determined by Colliers after taking into account the aforesaid determinants, is fair and reasonable.

During the course of our discussions with Colliers and after reviewing the data and the calculation work provided by Colliers, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the methodology, principal bases and assumptions used in arriving the Valuation. Having considered the above, we are of the view that the principal basis, valuation methods and assumptions adopted for the Valuation are fair, reasonable and complete and hence the reliability of the Valuation Report.

We have also attempted to assess the Valuation using comparable analyses based on price-to-book (P/B) multiple and price-to-earnings (P/E) multiple, being the most commonly adopted multiple analyses for valuation in the market. However, due to the uniqueness of the Sale Assets as the only civil communication transmission systems in the Beijing Subway with BII currently being the sole owner of the Sale Assets, no comparable company listed on the Stock Exchange with business characteristics that closely resembles the Sale Assets in terms of, among other things, operation, geographical location and business exclusivity could be identified and therefore, we are unable to assess the Valuation based on other valuation methodology.

Having considered that the Consideration represents a discount of approximately 0.65% to the Valuation, we are of the view that the terms of the consideration for the Acquisition are normal and commercial terms and fair and reasonable so far as the independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

5. Financial effects of the Acquisition

(a) Liquidity

According to the Interim Report 2016, the cash and cash equivalents of the Group as at 30 June 2016 was approximately HK\$364.67 million. Since the Consideration of RMB57,800,000 (equivalent to approximately HK\$68,204,000) for the Acquisition will be settled by cash, it is expected that the working capital of the Group will decrease by the same amount upon the Acquisition Completion.

(b) Gearing ratio

According to the Interim Report 2016, as at 30 June 2016, as the Group was at a net cash position without any bank borrowings, long term debts or payables incurred not in the ordinary course of business, the gearing ratio was nil (based on total debt at the end of the period divided by total assets at the end of the period multiplied by 100%). Therefore, there would be no impact on the gearing ratio upon the Acquisition Completion.

(c) Net asset value

According to the Interim Report 2016, the net assets of the Group was approximately HK\$1,233.20 million as at 30 June 2016. Since the Consideration of RMB57,800,000 (equivalent to approximately HK\$68,204,000) for the Acquisition will be settled by cash, the cash of the Group will decrease by the same while the non-current assets of the Group will increase by the same amount, the net asset value of the Group will remain unchanged upon the Acquisition Completion.

(d) Earnings

Taking into account of the historical profitable track record and the increasing revenue generating capability of the Sale Assets, it is expected that the Acquisition will have a positive impact on the earnings of the Group.

(e) Conclusion

Having considered that upon the Acquisition, although the working capital of the Group would decrease, the Acquisition will have a positive impact on the earnings of the Group while there would be no impact on the gearing ratio and the net asset value of the Group will remain unchanged, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon the Acquisition Completion.

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RECOMMENDATIONS

Based on the abovementioned principal factors and reasons, despite the entering into of the Acquisition Agreement is not in the ordinary and usual course of business of the Company, we are of the view that the terms and conditions of the Acquisition Agreement and the transactions contemplated thereunder are normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

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

Note: Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Goldin Financial Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance profession.

For the purpose of this letter, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.18.

* *for identification purposes only*

The following is the text of a report received from the Company's auditors, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this circular.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

14 October 2016

**REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH
THE VALUATION OF THE SALE ASSETS**

**TO THE BOARD OF DIRECTORS OF CHINA CITY RAILWAY TRANSPORTATION
TECHNOLOGY HOLDINGS COMPANY LIMITED**

We refer to the discounted future cash flows on which the asset valuation (the "Valuation") dated 11 October 2016 prepared by Colliers International (Hong Kong) Limited in respect of the appraisal of the market value of the civil communication transmission systems of 41 underground stations in aggregate of four subway lines of the Beijing Subway and the civil communication wireless coverage system of one subway line of the Beijing Subway, in particular, (i) the fixed assets of and the income rights to be derived from the civil communication transmission system of Phase 2 of Line No.6, Line No.7, Phase 1 East and West of Line No.15 and Changping Line No.8 of the Beijing Subway; (ii) the fixed assets of and the income rights to be derived from the civil communication wireless coverage system of Phase 1 East of line No.15 of the Beijing Subway; and (iii) the rights and obligations under certain underlying contracts (altogether referred to as the "Sale Assets"), as at 30 June 2016 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibilities

The directors of China City Railway Transportation Technology Holdings Company Limited (the "Directors") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor’s Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Sale Assets or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG

Certified Public Accountants
Hong Kong

The following is the text of a letter received from the Company's financial adviser, First Shanghai Capital Limited, for inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

14 October 2016

The Board of Directors
China City Railway Transportation Technology Holdings Company Limited
Unit 4407, 44/F, COSCO Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

Dear Sirs,

We refer to the discount future cash flows on which the valuation (the "**Valuation**") prepared by Colliers International (Hong Kong) Limited in relation to the appraisal of the Sale Assets as at 30 June 2016 as set out in Appendix II to the circular of the Company dated 14 October 2016 (the "**Circular**"), of which this report forms part. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast (the "**Forecast**") under Rule 14.61 of the Listing Rules. Capitalised terms used in this report shall have the same meaning as those defined in the Circular unless otherwise specified.

We have reviewed the Forecast upon which the Valuation has been made for which you as the Directors are responsible and discussed with you and Colliers International (Hong Kong) Limited the information and documents provided by you which formed part of the bases and assumptions upon which the Forecast has been prepared. We have also considered the letter from KPMG dated 14 October 2016 addressed to yourselves as set out in Appendix I to the Circular regarding the calculations upon which the Forecast has been made, and the Forecast do not involve the adoption of accounting policies. The Forecast is based on a number of bases and assumptions pertaining to the businesses of the Sale Assets. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the businesses of the Sale Assets may or may not be achieved as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by Colliers International (Hong Kong) Limited on the Valuation, for which Colliers International (Hong Kong) Limited and the Company are responsible, we are of the opinion that the Forecast upon which the Valuation has been made, for which you as the Directors are solely responsible, have been made after due and careful enquiry by you.

Yours faithfully,
For and on behalf of

First Shanghai Capital Limited

Fanny Lee
Managing Director

Allen Wang
Director

The following is the text of the Valuation Report prepared for the purpose of incorporation in this circular received from Colliers, an independent valuer, in connection with its valuation as at 30 June 2016 of the market value of the Sale Assets.



Colliers International (Hong Kong) Ltd
Valuation & Advisory Services
Company Licence No: C-006052

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong



11 October 2016

The Board of Directors
China City Railway Transportation Technology Holdings Company Limited
Unit 4407, 44/F, COSCO Tower
183 Queen's Road Central, Sheung Wan
Hong Kong

Dear Sir or Madam,

INSTRUCTIONS

In accordance with the instructions received from China City Railway Transportation Technology Holdings Company Limited ("CCRTT" or the "Company"), we have undertaken a valuation assignment to express an independent opinion on the market value of the civil communication transmission systems of 41 underground stations in aggregate of four subway lines of the Beijing Subway and the civil communication wireless coverage system of one subway line of the Beijing Subway, in particular, (i) the fixed assets of and the income rights to be derived from the civil communication transmission system of Phase 2 of Line No. 6, Line No. 7, Phase 1 East and West of Line No. 15 and Changping Line No. 8 of the Beijing Subway; (ii) the fixed assets of and the income rights to be derived from the civil communication wireless coverage system of Phase 1 East of Line No. 15 of the Beijing Subway; and (iii) the rights and obligations under certain underlying contracts) (altogether referred to as the "Sale Assets") owned by Beijing Infrastructure Investment Company Limited[^] (北京市基礎設施投資有限公司) ("BII") as of 30 June 2016 (the "Valuation Date"). Our valuation work was performed subject to the assumptions and limiting conditions described in this report.

This report outlines the business appraised, the basis of opinion, valuation methodology, basis and assumptions, limiting conditions and our opinion of value.

[^] For identification purpose only

PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the market value of the Sale Assets as at the Valuation Date. This report outlines our findings and valuation conclusions, which is prepared for public documentation reference purpose only.

BASIS OF VALUE

Our valuation has been prepared in accordance with the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum and the International Valuation Standards 2013 published by the International Valuation Standards Council, where applicable.

Our valuation is based on the going concern premise and conducted on a market value basis. Market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

INFORMATION OF CCRTT, BII AND THE SALE ASSETS

The business of CCRTT mainly focuses on three aspects: 1) provision of system integration related application solution services (mainly to provide the application system according to the needs of the clients, and to provide the clients with concrete and all-rounded application solutions and required software and hardware according to their needs; 2) provision of operation and maintenance of application solution services; and 3) leasing of civil communication transmission system of subways. The shares of the CCRTT were listed on the Main Board of the Stock Exchange of Hong Kong Limited.

BII is a company established under the law of the People's Republic of China (the "PRC") with limited liability and wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. BII currently holds the entire issued share capital of Beijing Infrastructure Investment (Hong Kong) Limited.

The Sale Assets are the civil communication transmission systems of 41 underground stations in aggregate of four subway lines of the Beijing Subway and the civil communication wireless coverage system of one subway line of the Beijing Subway, in particular, (i) the fixed assets of and the income rights to be derived from the civil communication transmission system of Phase 2 of Line No. 6, Line No. 7, Phase 1 East and West of Line No. 15 and Changping Line No. 8 of the Beijing Subway (collectively, the "Four Subway Lines"); (ii) the fixed assets of and the income rights to be derived from the civil communication wireless coverage system of Phase 1 East of Line No. 15 of the Beijing Subway; and (iii) the rights and obligations under certain underlying contracts.

Metro civil communication system mainly includes power distribution cabinets, uninterrupted power equipment, optical fiber data transfer equipment and other necessary components which provide the wireless communication transmission in the underground network. Information transmission service is completed via underground cables. Civil communication system provides telecom operators with mobile signal coverage and transmission in the public areas including stations, platforms, underground shops as well as inter-zone tunnel. Telecom operators could provide the data services by renting the civil communication system which allowed the passengers to use their mobile communication tools in the station area. Passengers are able to make calls and send/receive SMS throughout their ride and inside subway stations.

On 29 Sept 2014, the CCRTT completed the acquisition of the civil communication assets of 85 stations of 8 subway lines of Beijing Subway and officially marched into Beijing metro civil communication business. Besides, on 29 June 2015, CCRTT entered into acquisition agreement with BII and announced to acquire the civil communication assets of 49 underground stations of 3 subway lines of the Beijing Subway from BII. After the completion of the acquisition, the Group possess civil communication assets of 134 underground stations of 11 subway lines.

BASIS OF OPINION

The valuation has been prepared in accordance with International Valuation Standards published by the International Valuation Standards Council. The valuation procedures adopted include review of economic and financial conditions of the subject businesses and an assessment of key assumptions, estimates and representations made by the Company. All matters we consider essential to the proper understanding of the valuation are disclosed in this report.

The following factors also form a considerable part of our basis of opinion:

- The economic outlook in general;
- The nature of businesses and history of the operations concerned;
- Investment returns of companies operating in similar lines of business; and
- Financial and business risk of the Company.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Sale Assets.

SOURCES OF INFORMATION

In conducting our valuation of the Sale Assets, we have considered, reviewed and relied upon the following key information provided by the management of the Company (the “Management”) and the public.

- Background of the Sale Assets and relevant information;

- Financial projections of the Sale Assets; and
- Bloomberg database and other reliable sources of market data.

We have held discussion with the Management and conducted research from public sources to assess the reasonableness and fairness of the information provided. We have no reason to doubt the truth and accuracy of the information provided to us by the Management, and we have relied to a considerable extent on the information provided in arriving at our opinion of value.

VALUATION METHODOLOGIES

There are three generally accepted approaches to assess the market value of the Sale Assets, namely the market approach, the asset approach, and the income approach. Each of these approaches is appropriate in one or more circumstances.

Market Approach

Market Approach values an asset based on comparison with recent sales of similar assets from market transactions, with adjustments made to the indicated market prices to reflect condition and utility of the appraised asset relative to the market comparables. Although this approach is widely used, the main difficulty with this approach lies with the lack of financial information and full details regarding sales of similar assets.

Asset Approach

Asset approach values an asset by reference to the accumulating costs that would be incurred in order to replace or reproduce the asset in its current condition. This approach is not considered to be an appropriate approach for valuing income-generating assets as generally it does not capture expected returns to the asset.

Income Approach

Income Approach values an asset by reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the asset.

The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the assets life. This approach estimates the future economic benefits and discounts these benefits to its present value using an appropriate discount rate for all risks associated with realizing those benefits.

Selection of Valuation Methodology

Among the three approaches, we consider that the income approach is more appropriate for valuing the Sale Assets.

While useful for certain purposes, the asset approach does not take future earning potential of the Sale Assets into consideration. Market approach may be difficult to apply as we have not identified sufficient market transactions which are comparable. In this regard, we have considered but decided against using asset and market approach for valuing the Sale Assets.

To determine the market value of the Sale Assets, we have adopted the discounted cash flow (“DCF”) method, which is one of the income approaches that uses the concept of time value of money. By adopting the DCF, we utilize future free cash flow projections and discount them with a discount rate to arrive at a present value.

Discounted Cash Flow Method

The discounted cash flow method is a method to value the Sale Assets using the concepts of time value of money. All future cash flow are estimated and discounted to give them a present value. The discount rate used was the required rate of return of the market comparables. The present value of the free cash flow was calculated via the following formula:

$$PVCF = CF_1/(1+R)^1 + CF_2/(1+R)^2 + CF_3/(1+R)^3 + \dots + CF_n/(1+R)^n$$

Where:

PVCF	=	Present value of cash flows
CF _n	=	Cash flow
R	=	Discount rate
n	=	Time period

In the course of our valuation, the cash flows were determined as free cash flows, which were calculated using the following formula:

$$FCF = NI + AD - WC - CAPEX$$

Where:

FCF	=	Free cash flow
NI	=	Net income
AD	=	Amortization and depreciation
WC	=	Change in working capital
CAPEX	=	Capital expenditures

VALUATION ASSUMPTIONS AND RATIONALE

General Assumptions

In determining the market value of the Sale Assets, the following principal assumptions have been adopted:

- We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the operation of Sale Assets;
- We have assumed that the conditions in which the business is being operated and which are material to revenue and costs of businesses will have no material change;
- We have assumed that the information have been prepared on a reasonable basis after due and careful consideration by the Management;
- We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Sale Assets;
- We have assumed that all licenses and permits that is essential for the operation of the Sale Assets can be obtained and are renewable upon expiry; and
- We have assumed that there are no hidden or unexpected conditions associated with the Sale Assets that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION PROCEDURES AND PARAMETERS ADOPTED

The Determination of Useful Life

According to Manual of Data and Parameters Frequently Used in Assets Valuation, the economic life of machinery and equipment, telecommunication equipment ranges from 6 to 15 years. The Sale Assets are the civil communication transmission systems of 41 underground stations in aggregate of four subway lines of the Beijing Subway and the civil communication wireless coverage system of one subway line of the Beijing Subway. As per our research and our discussion with the Management, we consider that the Sale Assets is better than ordinary projects in terms of design, equipment selection, technologies and construction quality. We hence adopted 15 years as the useful life of the Sale Assets. As of the Valuation Date, the useful life is determined based on the remaining useful life of the respective subway line.

Income Projection

1. According to the service agreements in relation to the civil communication coverage system and related supporting resources in 41 subway stations across 4 subway

lines of Beijing Subway entered into between Beijing Infrastructure Investment Co., Ltd. and three major telecommunication operators, namely China Mobile Group Beijing Company Limited, China United Network Communications Group Company Limited[^] (中國聯合網絡通信有限公司北京市分公司), and the Beijing Network Assets Branch of China Telecommunication Corporation Limited[^] (中國電信集團公司北京網絡資產分公司) (collectively referred to as the “Mobile Network Operators”), the Mobile Network Operators have to pay an annual fee of RMB400,000/subway station to BII. In particular, there are 8 subway stations at Phase 2 of Line No. 6, 20 subway stations at Line No. 7, 11 subway stations at Phase 1 east and west of Line No. 15 and 2 subway stations at Changping Line No. 8 of the Beijing Subway.

2. According to the agreement in relation to the use of additional 2M transmission resources for civil communications at the Beijing Subway entered into between Beijing Network Asset Branch of China Telecom Corporation Limited and BII, the fee payable to BII for every unit of 2M transmission resource is RMB1,800/line/month. In particular, 2 subway stations at Changping Line No. 8 of the Beijing Subway.

Major Expenses Projection

1. It is expected that the technical service contract entered into with Beijing Subway Information Development Limited[^] (北京地鐵信息發展有限公司) in relation to the maintenance service for the civil communication transmission system in 41 subway stations across 4 subway lines of Beijing Subway, annual service fee payable would be RMB140,000/subway station.

Discount Rate

The discount rate used in this valuation exercise was the weighted average costs of capital (“WACC”), which was computed using the following formula:

$$\text{WACC} = (E/V) R_e + (D/V) R_d (1 - T_c)$$

Where:

R_e	=	Cost of equity
R_d	=	Cost of debt
E	=	Market value of the Subject Company’s equity
D	=	Market value of the Subject Company’s debt
V	=	$E + D$
E/V	=	Percentage of financing that is equity
D/V	=	Percentage of financing that is debt
T_c	=	Tax rate

[^] For identification purpose only

As shown in the above formula, the WACC has two components: the cost of equity and the cost of debt. The Capital Asset Pricing Model (CAPM) was used for determining the cost of equity. CAPM is a model that describes the relationship between risk and expected return and that is used in the pricing of risky securities and it is calculated as follow:

$$R_e = R_f + \beta(R_m - R_f) + SP + CSR$$

Where:

R_e	=	Cost of equity
R_f	=	Risk-free rate
β	=	Beta coefficient
R_m	=	Expected market return
$(R_m - R_f)$	=	Market risk premium
SP	=	Size premium
CSR	=	Company specific risk premium

In our valuation, the following parameters were adopted:

Risk-free rate (10-years) ¹	:	2.86%
Beta coefficient ²	:	1.62
Market risk premium ³	:	7.18%
Company specific risk premium ⁴	:	1.00%
Size premium ⁵	:	3.87%
Cost of equity	:	19.40%
Cost of debt ⁶	:	7.84%
Cost of debt (post-tax)	:	5.88%
Tax rate ⁷	:	25.0%
Debt to equity ratio ⁸	:	61.86%
WACC	:	14.23%

Remarks:

1. Yield of 10-year risk-free rate in the PRC as of the Valuation Date, from Bloomberg;
2. The leveraged beta was calculated from the comparable companies using the following formula: Levered beta = Unlevered beta * 1 + (1 - Tax Rate) (D/E). The beta coefficient is estimated from the average betas of a set of comparable companies listed in the PRC and in Hong Kong. The betas of the comparable companies are made reference to the 2-year weekly adjusted betas obtained from Bloomberg. The following criteria have been selected in choosing the comparable companies in this valuation:
 - The Bloomberg database has been searched exhaustively for all Hong Kong/China listed companies engaged in providing wireless transmission and communication services as well as communication system equipment. A short-list consisting of 58 companies is resulted from the exhaustive search. The business model and product profiles of the short-listed companies are examined in further screening, together with information from the companies' web-sites and other sources, if needed. Only companies satisfying all of the following criteria, pertinent to the businesses of the Sale Assets, are adopted as guideline public companies for the valuation:
 - a. The principal activities of the company is located in the PRC;
 - b. The company is principally engaged in the transmission and communication services as well as communication system equipment;
 - c. Shares of the company are actively trading in a reasonable period of time with active trading volume; and
 - d. Detailed financial and operational information in respect of the company are available at Bloomberg Terminal or other publicly available sources.

Given the abovementioned selection criteria, 5 listed companies have been selected. The profiles of the comparable companies are as follow:

Comparable Company	Ticker	Business
Comba Telecom Systems Holdings Limited	2342 HK	Comba Telecom Systems Holdings Limited and its subsidiaries are engaged in the research, development, manufacture and sale of wireless telecommunications network enhancement system equipment and the provision of related engineering services. The Company offers a comprehensive suite of products and services including wireless access, wireless enhancement, antenna and subsystems and wireless transmission to its customers.
Centron Telecom International Holding Limited	1155 HK	Centron Telecom International Holding Limited is engaged in the manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services, as well as the sale of digital television network coverage equipment and the provision of related engineering services. The company researches and develops a portfolio of new products, including third generation (3G) and fourth generation (4G) network coverage products, digital television coverage products, industry-specific network wireless access products, microwave communications products and satellite products.

Comparable Company	Ticker	Business
Sunwave Communications Co., Ltd	002115 CH	Sunwave Communications Co., Ltd is a China-based company principally engaged in the manufacture of communication equipment and system integration services. The company primarily provides wireless network coverage equipment and optimization solutions, network optimization services, network optimization products and passive microwave devices, among others. The company distributes its products in both domestic and overseas markets.
Allwin Telecommunication Co., Ltd	002231 CH	Allwin Telecommunication Co., Ltd is principally engaged in the development, production and sale of network optimization coverage equipment and system integration solutions, as well as the provision of related services. The company primarily provides multi network merging access system series, digital multimode remote series, digital base station remote series, digital microwave remote series, remote power supplying series, micro power series, repeater series, digital multimedia repeater series, base station energy saving new wind systems, as well as digital multi carrier base station amplifiers. The company distributes its products in domestic markets and to overseas markets.
Guomai Technologies, Inc.	002093 CH	Guomai Technologies, Inc. is principally engaged in the provision of telecommunications outsourcing services. The company provides telecommunications network technology services, including network operation and maintenance, design consulting, business process outsourcing and human resource outsourcing services, as well as system integration services. It operates its businesses primarily in domestic market.

Since public companies are regulated, the information provided by them is considered to be more reliable and transparent. Therefore, for the purpose of valuation of the Sale Assets, the Comparable Companies is considered to be fair and representative of the industry;

3. The market premium is made reference to the total equity risk premium in the research by Professor Aswath Damodaran from New York University. Aswath Damodaran is a Professor of Finance at the Stern School of Business at New York University, where he teaches corporate finance and equity valuation. He is best known as author of several widely used academic and practitioner texts on valuation, corporate finance and investment management. He has written several books on equity valuation, as well on corporate finance and investments. His research result in relation to equity risk premium is commonly adopted by valuers;

4. Company specific risk premium is the premium added to the cost of equity to reflect the additional risk factors specific to the Sale Assets. The company specific risk factors may include the following:
 - Lack of diversification
 - Customer concentration
 - Capability in capital financing
 - Distribution channel
 - Thin management
 - Competition;
5. Small company risk premium is the additional return required by small company investors to compensate the higher perceived risks of small companies. The small company risk premium is made reference to Duff & Phelps 2015 Valuation Handbook — Guide to Cost of Capital (the “Handbook”). This Handbook is the study of historical capital markets data in the United States. Commonly used by valuers, consultants, and analysts to analyze asset class performance, the Handbook contains the size premia for large- and small-company stocks. The premia in the 2015 Valuation Handbook were calculated using the data sources: (i) Standard and Poor’s, (ii) the Center for Research in Security Prices at the University of Chicago Booth School of Business (CRSP) and (iii) Morningstar;
6. It is determined with reference to the Management’s expectation of the long-term cost of debt of the company;
7. Current China profits tax rate;
8. Debt-to-equity ratio of the comparable companies.

LIMITING CONDITIONS

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value of the subject in this report is valid only for the stated purpose and only for the effective date of the appraisal. The valuation reflects facts and conditions existing at the date of valuation and subsequent events have not been considered. No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers. Our conclusions assume continuation of prudent management of the Sale Assets over a reasonable and necessary period of time to maintain the character and integrity of the assets valued.

CONCLUSION OF VALUE

In our opinion, on the basis of the information made available to us, the market value of the Sale Assets as of 30 June 2016 is reasonably estimated at **RMB58,180,000 (RENMINBI FIFTY EIGHT MILLION ONE HUNDRED AND EIGHTY THOUSAND ONLY)**.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While we have exercised our professional judgment in arriving at the appraisal, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Colliers International (Hong Kong) Limited. You are advised to consider with caution the nature of such assumptions which are disclosed in this report and to exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Yours faithfully,
for and on behalf of
Colliers International (Hong Kong) Limited

Vincent Cheung

Registered Professional Surveyor (GP)

BSc (Hons) MBA MHKIS FRICS

Executive Director

Valuation & Advisory Services – Asia

Freddie Chan

CFA FRM

BBA-FIN (Hons)

Associate Director

Valuation & Advisory Services

Notes:

Mr. Vincent K.C. Cheung holds a Master of Business Administration and he is a Registered Professional Surveyor with over 19 years' experience in real estate industry and assets valuations sector. His experience on valuations covers Hong Kong, Macau, Taiwan, South Korea, Mainland China, Vietnam, Cambodia and other overseas countries. Mr. Cheung is a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. Mr. Cheung is one of the valuers on the "list of property valuers for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

Mr. Freddie W.T. Chan oversees the business valuation services of Colliers International (Hong Kong) Limited and has over 7 years of professional experiences in banking, finance, corporate advisory and valuation experiences. He is a CFA® charterholder and a FRM® charterholder who expertizes in corporate and intangible valuation sector. His experience on valuations covers Hong Kong, Mainland China, Australia, United States, Europe and other overseas countries. Mr. Chan is a member of the Hong Kong Society of Financial Analysts as well.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

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 were 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 Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as adopted by the Company, 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	Interest in underlying shares of share options	Approximate percentage of issued share capital of the Company/ associated corporation
Mr. Cao Wei (“Mr. Cao”)	The Company	Interest in a controlled corporation <i>(Note 1)</i>	245,509,815 Shares		17.10%
	The Company	Beneficial owner		1,300,000 Shares (L) <i>(Notes 2 and 3)</i>	0.09%

Notes:

1. More Legend Limited (“**More Legend**”) is owned as to 75% by Mr. Cao and as to 25% by Ms. Wang Jiangping (“**Ms. Wang**”), the spouse of Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 245,509,815 Shares which More Legend is interested in. Mr. Cao is the sole director of More Legend.
2. On 26 July 2012, Mr. Cao was granted 800,000 options under the share option scheme of the Company to subscribe for 800,000 Shares, exercisable at a price of HK\$0.656 per Share during a period from 26 July 2013 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.
3. On 5 December 2014, Mr. Cao was granted 500,000 options under the share option scheme of the Company to subscribe for 500,000 Shares, exercisable at a price of HK\$2.690 per share during a period from 5 December 2015 to 4 December 2019. These options are vested and become exercisable in three tranches in the proportion of 20%, 70% and 100% on 5 December 2015, 5 December 2016 and 5 December 2017, respectively.

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

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, substantial Shareholders and other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in Shares and underlying Shares

Name of person	Capacity	Number of Shares	Approximate percentage of interest
More Legend	Beneficial owner (Note 1)	245,509,815 Shares	17.10%
Ms. Wang	Interest of spouse (Note 2)	246,809,815 Shares	17.19%
BII HK	Beneficial owner (Note 3)	489,881,376 Shares	34.12%
BII	Interest of controlled corporation (Note 3)	489,881,376 Shares	34.12%
中國財產再保險有限責任公司 (China Property and Casualty Reinsurance Company Limited*)	Beneficial owner (Note 4)	115,301,534 Shares	8.03%
中國再保險(集團)股份有限公司 (China Reinsurance (Group) Corporation*)	Interest of controlled corporation (Note 4)	115,301,534 Shares	8.03%

Notes:

1. More Legend is the legal and beneficial owner of approximately 17.10% 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. Ms. Wang is the spouse of Mr. Cao and by virtue of the SFO, is deemed to be interested in the 245,509,815 Shares and the 1,300,000 underlying Shares which Mr. Cao is interested in.

3. BII HK is a wholly-owned subsidiary of BII, 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. By virtue of the SFO, BII is deemed to be interested in the 488,581,376 Shares and the 1,300,000 underlying Shares which BII HK is interested in. Dr. Tian Zhenqing is a director of BII HK.
4. 中國財產再保險有限責任公司 (China Property and Casualty Reinsurance Company Limited*) is a wholly-owned subsidiary of 中國再保險(集團)股份有限公司 (China Reinsurance (Group) Corporation*). By virtue of the SFO, 中國再保險(集團)股份有限公司 (China Reinsurance (Group) Corporation*) is deemed to be interested in the 115,301,534 Shares owned by 中國財產再保險有限責任公司 (China Property and Casualty Reinsurance Company Limited*).

Save as disclosed above, as at the Latest Practicable Date, the Company was not notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which was 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 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

6. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement, which was significant in relation to the business of the Group; and
- (b) save for (i) the tenancy agreement dated 18 January 2016 between 北京軌道交通路網管理有限公司 (Beijing Metro Network Administration Co., Ltd*) ("**Beijing Metro Network**"), a wholly-owned subsidiary of BII, as the landlord and Beijing BII as the tenant in relation to the leasing of 9th Floor, Block 3, Phase 1, Jingtou Building with a total gross floor area of approximately 1,500 sq.m. which is erected on a parcel of land and is situated at No. 6, Xiaoying Road North, Zhaoyang District, Beijing City, the PRC by Beijing BII from Beijing Metro Network for a term of one year from 1 January 2016 to 31 December 2016 at a consideration of RMB1,712,087.25; (ii) the tenancy agreement dated 18 January 2016 between Beijing Metro Network as the landlord and 北京京投億雅捷交通科技有限公司 (Beijing BII-ERG Transportation Technology Co. Ltd.*) ("**BII ERG**"), a subsidiary of the Company as the tenant in relation to the leasing of 1st to 4th Floors, Block 4, Phase 2, Jingtou Building with a total gross floor area of approximately 2,200 sq.m. which is erected on a parcel of land and is situated at No. 6, Xiaoying Road North, Zhaoyang District, Beijing City, the PRC by BII ERG from Beijing Metro Network for a term of one year from 1 January 2016 to 31 December 2016 at a consideration of RMB2,398,926; and (iii) the tenancy agreement dated 18 January 2016 between Beijing Metro Network as the landlord and 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 as the tenant in relation to the leasing of 1st to 4th Floors, Block 4, Phase 2, Jingtou Building with a total gross floor area of approximately 500 sq.m. which is erected on a parcel of land and is situated at No. 6, Xiaoying Road North, Zhaoyang District, Beijing City, the PRC, by ERG BJ from Beijing Metro Network for a term of one year from 1 January 2016 to 31 December 2016 at a consideration of RMB555,384, none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. QUALIFICATION AND CONSENTS OF EXPERT

- (a) The following sets out the qualifications of the experts who have given their opinions or advice or statements as contained in this circular:

Name	Qualification
Goldin	A corporation licenced to carry on Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Colliers	Professional valuer
First Shanghai Capital Limited	A corporation licenced to carry on Type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants

- (b) As at the Latest Practicable Date, each of the above experts had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.
- (c) As at the Latest Practicable Date, each of the above experts had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.
- (d) As at the Latest Practicable Date, each of the above experts had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of each of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any Business Days from the date of this circular up to and including 14 days (except public holidays) at the Company's place of business in Hong Kong situated at Unit 4407, 44/F, COSCO Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong:

- (a) the Valuation Report;

- (b) the written consent letters referred to in the paragraph headed “Qualification and Consents of Expert” in this appendix;
- (c) the letter from Goldin, the text of which is set out on pages 17 to 36 of this circular;
- (d) the annual reports of the Company for the financial years ended 31 December 2013, 2014 and 2015;
- (e) the Acquisition Agreement; and
- (f) this circular.

9. 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: 1522)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of China City Railway Transportation Technology Holdings Company Limited (“**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, 1 November 2016 at 2:30 p.m. or at any adjournment thereof for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the form and substance of the conditional sale and purchase agreement (“**Acquisition Agreement**”) dated 26 September 2016 entered into between 北京京投卓越科技發展有限公司 (Beijing BII Technology Development Co., Ltd., being its unofficial English name) as purchaser, being a wholly-owned subsidiary of the Company, and 北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Co., Ltd., being its unofficial English name) (a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification), in relation to the acquisition of the civil communication transmission systems of 41 underground stations in aggregate of four subway lines of the Beijing Subway and the civil communication wireless coverage system of one subway line of the Beijing Subway and all the transactions contemplated thereby, be and are hereby approved, ratified and confirmed; and

NOTICE OF EGM

- (b) any one of the Directors be and is hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Acquisition Agreement, or any of the transactions contemplated under the Acquisition Agreement and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Acquisition Agreement) as are, in the opinion of the Director, in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, 14 October 2016

Notes:

1. A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or if he/she is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the memorandum of association and articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof, should he/she so wish.
3. Completion and return of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of poll.
5. The form of proxy for use at the EGM is enclosed herewith.

As at the date of this notice, the executive Directors are Mr. Cao Wei, Ms. Xuan Jing and Mr. Shao Kai; the non-executive Directors are Dr. Tian Zhenqing, Mr. Hao Weiya and Mr. Guan Jifa; and the independent non-executive Directors are Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin.