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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)

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

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 8 July 2014, 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 and the respective income rights of 82 underground stations of seven subway lines of the Beijing Subway and the civil communication income rights of three stations of the airport 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 Line No. 5, Phase 1 of Line No. 10 (including the Olympic sub-line), Phase 1 of Line No. 15, Line No. 8 (north section), Line No. 9, Yizhuang Line and Daxing Line of the Beijing Subway; (ii) the income rights to be derived from the civil communication transmission system of the airport line of the Beijing Subway; and (iii) the rights and obligations under certain underlying contracts) from the Vendor at a consideration of RMB96,000,000.

After 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.

The Vendor undertakes to transfer at an appropriate time the fixed assets and the income rights to be derived from the civil communication transmission 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 Acquisition Agreement at reasonable consideration to the Purchaser.

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.

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.

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 date of this announcement, BII HK held 482,581,376 Shares, representing approximately 37.49% 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.11(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 will constitute 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.

GENERAL

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.

As at the date of this announcement, the Vendor was the sole beneficial owner of BII HK. BII HK is one of the Shareholders which held approximately 37.49% 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(s) to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM. Any vote exercised by the Shareholders at the EGM shall be taken by way of poll.

A circular containing, among other things, (i) further information of the Acquisition; (ii) a letter from the Independent Board Committee to the independent Shareholders; (iii) a letter of advice from the independent financial adviser in relation to the Acquisition and the transactions contemplated thereunder; and (iv) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. It is expected that the circular will be despatched to the Shareholders on or before 29 July 2014.

Shareholders and potential investors of the Company should be aware that as the Acquisition Completion is subject to the satisfaction of a number of conditions, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to the announcement of the Company dated 25 February 2014 in relation to the entering into of the MOU between the Company as purchaser and BII as vendor in relation to the proposed acquisition of the Sale Assets, subject to the execution and completion of the formal agreement to be entered into between the Company (or any other company which is its wholly-owned subsidiary) and BII. Pursuant to the MOU, the Purchaser and the Vendor entered into the Acquisition Agreement on 8 July 2014 (after trading hours).

THE ACQUISITION AGREEMENT

Date: 8 July 2014 (after trading hours)

Parties:

- (a) The Purchaser: Beijing BII, an indirect wholly-owned subsidiary of the Company and an investment holding company incorporated in the PRC
- (b) The Vendor: BII, an investment holding company incorporated in the PRC

As at the date of this announcement, the Vendor was the sole beneficial owner of BII HK, one of the Shareholders which held approximately 37.49% of the issued share capital of the Company.

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 and the respective income rights of the 82 underground stations of the seven subway lines of the Beijing Subway and the civil communication income rights of the three stations of the airport 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 Line No. 5, Phase 1 of Line No. 10 (including the Olympic sub-line), Phase 1 of Line No. 15, Line No. 8 (north section), Line No. 9, Yizhuang Line and Daxing Line of the Beijing Subway (collectively, the “**Seven Subway Lines**”); (ii) the income rights to be derived from the civil communication transmission system of the airport line 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 thereto, which comprise, (a) various revenue contracts with the telecommunication companies whereby the Vendor enjoys the income rights for renting and licensing the use of the civil communication transmission system (民用通信傳輸系統) of the Seven Subway Lines and the related supporting resources of the airport line of the Beijing Subway; 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 provided by such service providers. As at the date of this announcement, Mr. Cao Wei was a director of one of such service providers.

Consideration

The total consideration for the Acquisition pursuant to the Acquisition Agreement is RMB96,000,000 (equivalent to approximately HK\$119,520,000) and shall be satisfied by the Purchaser in the following manner:

- (i) RMB60,000,000 shall be paid by the Purchaser within five business days of the effective date of the Acquisition Agreement; and
- (ii) the remaining RMB36,000,000 shall be paid by the Purchaser within six months of the effective date of the Acquisition Agreement. The Purchaser may make payment prior to the date stipulated above.

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 entering into performance of the Acquisition Agreement (if any);
- (ii) the 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 2014 based on the valuation performed by an independent valuer; (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.

The Vendor and the Purchaser agreed that the Purchaser shall own the rights and obligations of the Sale Assets from the date of Acquisition Completion or 30 September 2014 (whichever is earlier).

Post-completion

After 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.

The Vendor undertakes to transfer at an appropriate time the fixed assets and the income rights to be derived from the civil communication transmission 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 Acquisition Agreement at reasonable consideration to the Purchaser.

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.

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 the telecommunication companies on its own in relation to any agreement regarding the use of related resources or cooperation agreement.

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 transaction 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 transaction contemplated thereunder by the Purchaser in accordance with the applicable law and regulations and its memorandum and articles of association;
- (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 signed by the relevant parties legally and validly;
- (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.

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 aggregate consideration paid by the Purchaser pursuant to the Acquisition Agreement amounted to RMB60,000,000, or such other date as the parties to the Acquisition Agreement may agree in writing prior to Acquisition Completion.

INFORMATION OF THE GROUP

The Group is principally engaged in (i) the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Beijing and Hong Kong; and (ii) the provision of software in application solutions and products for the subsystems of public transport systems at line-level.

INFORMATION OF THE SALE ASSETS

Pursuant to the valuation report performed by the independent property valuer, the appraised value of the Sale Assets as at 30 June 2014 was approximately RMB106.2 million (equivalent to approximately HK\$132.2 million). The unaudited net profits before taxation and extraordinary items attributable to the Sale Assets for each of the two years ended 31 December 2013 were approximately RMB11.84 million (equivalent to approximately HK\$14.74 million) and RMB14.03 million (equivalent to approximately HK\$17.47 million) respectively. The unaudited net profits after taxation and extraordinary items attributable to the Sale Assets for each of the two years ended 31 December 2013 were approximately RMB10.2 million (equivalent to approximately HK\$12.7 million) and approximately RMB12.1 million (equivalent to approximately HK\$15.1 million) respectively.

For the year ended 31 December 2012, the unaudited net profits before and after taxation and extraordinary items of the Sale Assets only reflect the amount generated from the 2G business of civil communication transmission systems of the stations of the Five Subway Lines (except Line No. 8 (north section) and Line No. 9 which were then unsettled) and the airport line of the Beijing Subway. For the year ended 31 December 2013, the unaudited net profits before and after taxation and extraordinary items of the Sale Assets reflect the amount generated from the 2G business of civil communication transmission systems of the stations of the Seven Subway Lines and the airport line of the Beijing Subway.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board believes that the Acquisition represents a valuable opportunity for the Group to diversify its business operation in another aspect of the railway transport system by including the provision of civil communication services in subway, as part of its development focus over the value chain of the Beijing railway transportation. The Acquisition is expected to enable the Group to expand its business scope 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.

After taken into account, among others, (i) the opportunity to diversify the business of the Group and broaden its income source; and (ii) the basis of the Consideration as mentioned above, the Directors consider that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

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 date of this announcement, BII HK held 482,581,376 Shares, representing approximately 37.49% 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.11(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 will constitute 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 will be established to advise the Independent Shareholders in respect of the Acquisition. An independent financial adviser will be 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 and Mr. Zhang Jie, both being non-executive Directors, were vice general managers of BII. Mr. Cao Wei and Ms. Xuan Jing, being the executive Directors, were directors of Beijing BII. Accordingly, each of Dr. Tian Zhenqing, Mr. Cao Wei, Ms. Xuan Jing, Mr. Hao Weiya and Mr. Zhang Jie 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 resolution(s) approving the transactions contemplated under the Acquisition Agreement.

EGM

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.

As at the date of this announcement, the Vendor held the entire issued share capital of BII HK, one of the Shareholders which held approximately 37.49% of the issued share capital of the Company. BII HK will be required to abstain from voting on the resolution(s) to approve the 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 Agreement and will be required to abstain from voting on the resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further information of the Acquisition; (ii) a letter from the Independent Board Committee to the independent Shareholders; (iii) a letter of advice from the independent financial adviser in relation to the Acquisition and the transactions contemplated thereunder; and (iv) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. It is expected that the circular will be despatched to the Shareholders on or before 29 July 2014.

Shareholders and potential investors of the Company should be aware that as the Acquisition Completion is subject to the satisfaction of a number of conditions, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, 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 8 July 2014 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

“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 one of the Shareholders which held approximately 37.49% of the issued share capital of the Company as at the date of this announcement
“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
“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 convened for the purpose of considering, and if thought fit, approving the Acquisition Agreement and the respective 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 to be formed by all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange

“MOU”	the memorandum of understanding dated 25 February 2014 entered into between the Company as purchaser and BII as vendor in relation to the Acquisition
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Sale Assets”	means the civil communication transmission systems and the respective income rights of 82 underground stations of seven subway lines of the Beijing Subway and the civil communication income rights of three stations of the airport 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 Line No. 5, Phase 1 of Line No. 10 (including the Olympic sub-line), Phase 1 of Line No. 15, Line No. 8 (north section), Line No. 9, Yizhuang Line and Daxing Line of the Beijing Subway; (ii) the income rights to be derived from the civil communication transmission system of the airport line of the Beijing Subway; and (iii) the rights and obligations under certain underlying contracts
“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”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Hong Kong, 8 July 2014

For the purpose of this announcement, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB1.00 to HK\$1.245.

As at the date of this announcement, the executive Directors are Mr. Cao Wei and Ms. Xuan Jing; the non-executive Directors are Dr. Tian Zhenqing, Mr. Hao Weiya, Mr. Zhang Jie and Mr. Steven Bruce Gallagher; and the independent non-executive Directors are Mr. Hu Zhaoguang, Mr. Bai Jinrong and Mr. Luo Zhenbang.

* *For identification purposes only*