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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)

**MEMORANDUM OF UNDERSTANDING
RELATING TO PROPOSED ACQUISITION
AND PROPOSED SUBSCRIPTION**

MEMORANDUM OF UNDERSTANDING

This announcement is made pursuant to Rule 13.09 of the Listing Rules and Part XIVA of the SFO.

The Board announced that after trading hours on 25 February 2014, the Company entered into the non-legally binding Memorandum of Understanding with BII in relation to (a) the Proposed Acquisition of 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; and (b) the Proposed Subscription, pursuant to which (i) the Company or any of its wholly-owned subsidiaries (as the Purchaser) intended to acquire and BII (as the Vendor) intended to sell the Sale Assets pursuant to the Formal Acquisition Agreement to be negotiated between the Purchaser and the Vendor; and (ii) the Company intended to allot and issue certain Subscription Shares to BII HK (as Subscriber), and the Subscriber intended to subscribe such Subscription Shares by cash pursuant to the Formal Subscription Agreement to be negotiated between the Company and the Subscriber.

The Memorandum of Understanding is non-legally binding save for certain provisions relating to confidentiality and the governing law of the Memorandum of Understanding.

Completion of the Proposed Acquisition and the Proposed Subscription is subject to the satisfaction of the conditions precedent described in the Memorandum of Understanding and the terms of the Formal Agreements. As the Memorandum of Understanding may or may not lead to the entering into of the Formal Agreements and the Proposed Transactions may or may not proceed, Shareholders and potential investors are advised to exercise caution when trading in the Shares.

In the event the Proposed Transactions materialise, they may constitute notifiable and connected transactions for the Company under the Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules and the Takeovers Code (where applicable) as and when appropriate.

This announcement is made pursuant to Rule 13.09 of the Listing Rules and Part XIVA of the SFO.

The Board announces that on 25 February 2014 (after trading hours), the Company entered into the non-legally binding Memorandum of Understanding with BII in relation to the Proposed Transactions. After signing of the Memorandum of Understanding, (i) the Company or any its wholly-owned subsidiaries (as the Purchaser) and BII (as the Vendor) shall enter into good faith negotiation for the Formal Acquisition Agreement and other documentation; and (ii) the Company and BII HK (as the Subscriber) shall enter into good faith negotiation for the Formal Subscription Agreement and other documentation.

THE PROPOSED ACQUISITION

Date: 25 February 2014 (after trading hours)

Parties:

- (a) the Company or any of its wholly-owned subsidiary, as the Purchaser; and
- (b) BII, as the Vendor.

Assets to be acquired

Pursuant to the Memorandum of Understanding, the Company or any of its wholly-owned subsidiaries (as the Purchaser) intended to acquire and BII (as the Vendor) intended to sell the Sale Assets pursuant to the Formal Acquisition Agreement to be negotiated between the Purchaser and the Vendor.

Consideration

Pursuant to the Memorandum of Understanding, the Vendor and the Purchaser will engage a valuer to assess the value of the Sale Assets. The Consideration will be determined with reference to the value to be scheduled in the asset valuation report or other pricing basis to be mutually agreed by the Purchaser and the Vendor.

The Consideration may be satisfied by cash or other methods to be determined by the Purchaser and the Vendor upon further negotiations.

The final Consideration, the basis of determination of the Consideration, the settlement method and the time of payment of the Consideration shall be finalised by the Purchaser and the Vendor upon finalisation of the Formal Acquisition Agreement.

Conditions precedent

The Proposed Acquisition is conditional upon, amongst other things, the following conditions precedent:

- (a) the signing of the Formal Subscription Agreement and all the conditions precedent therein being fulfilled (or waived, if applicable) (save for the condition of the Formal Acquisition Agreement becoming unconditional);
- (b) the independent Shareholders approving the Proposed Acquisition and the related transactions contemplated thereunder;

- (c) the Purchaser having satisfied with the results of the due diligence review on the Sale Assets;
- (d) the Purchaser having obtained the PRC legal opinion to be issued by a firm of PRC legal advisers approved by the Purchaser, the contents of which should be to the satisfaction of the Purchaser, confirming the following matters:
 - (i) the Vendor legally owns the Sale Assets in accordance with the PRC laws and regulations;
 - (ii) (if applicable) each of the Purchaser and the Vendor has obtained all approvals required to be obtained in relation to the Proposed Acquisition from the necessary PRC authorities; and
 - (iii) other matters reasonably requested by the Purchaser;
- (e) the Vendor has not materially breached any representations, warranties and undertakings as set out in the Formal Acquisition Agreement on or before the completion date; and
- (f) the obtaining of all approvals required to be obtained on the part of either the Purchaser or the Vendor in relation to the Proposed Acquisition from the necessary PRC (or other) authorities (if any).

In the event that any of the above conditions precedent are not fulfilled or waived (where applicable), the Proposed Acquisition shall lapse. For the avoidance of doubt, the Proposed Acquisition and the Proposed Subscription shall be completed simultaneously.

The above conditions can be amended or supplemented by the parties to the Memorandum of Understanding upon further negotiations and finalisation of the Formal Acquisition Agreement.

THE PROPOSED SUBSCRIPTION

Pursuant to the Memorandum of Understanding, the Company intended to allot and issue certain Subscription Shares to BII HK (as the Subscriber), and the Subscriber intended to subscribe such Subscription Shares by cash pursuant to the Formal Subscription Agreement to be negotiated between the Company and the Subscriber. The number of the Subscription Shares and the percentage of these Subscription Shares accounted for the issued share capital of the Company as enlarged by the Proposed Subscription will be determined in the Formal Subscription Agreement. Further, the Company and the Subscriber agreed that the issued share capital of the Company held by the public Shareholders, after the Proposed Subscription, shall be not less than 25% of the issued share capital of the Company as enlarged by the Proposed Subscription. The Subscriber agreed that it will not and will procure that the relevant registered holder(s) will not at any time within two years from the date of allotment of the Subscription Shares, dispose of, nor enter into any agreement to dispose of any of its Shares in respect of which they are shown to be the beneficial owners.

The proposed subscription price per Subscription Share shall be determined as the following:

- a discount of 18.5% to the average of the closing price per Share for the last 30 trading days as quoted on the Stock Exchange up to and including the date of signing of the Memorandum of Understanding.

Pursuant to the Memorandum of Understanding, the parties thereto agree that shall the Company allot and issue new Shares to the public Shareholders simultaneously with the Proposed Subscription, the subscription price of these new Shares to the public Shareholders shall be the same as that of the Subscription Shares.

Conditions precedent

The Proposed Subscription is conditional upon, amongst other things, the following conditions precedent:

- (a) the signing of the Formal Acquisition Agreement and all the conditions precedent therein being fulfilled (or waived, if applicable) (save for the condition of the Formal Subscription Agreement becoming unconditional);
- (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares;
- (c) (if required) the SFC granting Whitewash Waiver to the Subscriber and the parties acting in concert with the Subscriber; and
- (d) (if required) the independent Shareholders approving the Proposed Subscription and the related transactions contemplated thereunder.

In the event that any of the above conditions precedent are not fulfilled or waived (where applicable), the Proposed Subscription shall lapse. For the avoidance of doubt, the Proposed Acquisition and the Proposed Subscription shall be completed simultaneously.

Non legally-binding effect

Save for certain provisions on confidentiality and the governing law of the Memorandum of Understanding, other terms of the Memorandum of Understanding do not constitute legally-binding commitment in respect of the Proposed Transactions. The Proposed Transactions will be subject to the execution and completion of the Formal Agreements. The Company and BII further agreed to negotiate in good faith the terms of the Formal Agreements and use all reasonable efforts to sign the Formal Agreements.

REASONS FOR THE PROPOSED TRANSACTIONS

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. The Board believes that the Proposed 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. The Proposed 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 Proposed Acquisition will be beneficial to the future growth and business development of the Group as a whole.

The Directors consider that the Proposed Subscription represents an opportunity to raise capital for the Company in order to maintain the cash flow position of the Group and to enhance the capital base of the Company.

The Directors consider that the Proposed Transactions will be in the interest of the Group and the Shareholders as a whole.

GENERAL

As at the date of this announcement, BII held the entire issued share capital of BII HK, one of the Shareholders which held approximately 24.50% of the issued share capital of the Company. BII HK is a substantial Shareholder and a connected person of the Company under Rule 14.11(1) of the Listing Rules. BII is the sole beneficial shareholder of BII HK and hence an associate of BII HK, and would therefore become a connected person of the Company under Chapter 14A of the Listing Rules. In the event the Proposed Transactions materialise, they may constitute notifiable and connected transactions for the Company under the Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules and the Takeovers Code (where applicable) as and when appropriate.

Completion of the Proposed Acquisition and the Proposed Subscription is subject to the satisfaction of the conditions precedent described in the Memorandum of Understanding and the terms of the Formal Agreements. As the Memorandum of Understanding may or may not lead to the entering into of the Formal Agreements and the Proposed Transactions may or may not proceed, Shareholders and potential investors are advised to exercise caution when trading in the Shares.

DEFINITIONS

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

“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 one of the Shareholders which held approximately 24.50% of the issued share capital of the Company as at the date of this announcement
“Board”	the board of Directors
“Company”	China City Railway Transportation Technology Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on 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 Company or any its wholly-owned subsidiary (as the Purchaser) and BII (as the Vendor) for the Proposed Acquisition
“Director(s)”	the director(s) of the Company
“Formal Agreements”	collectively, Formal Acquisition Agreement and Formal Subscription Agreement
“Formal Acquisition Agreement”	the formal legally-binding sale and purchase agreement to be entered into between the Company or any its wholly-owned subsidiary (as the Purchaser) and BII (as the Vendor) in the event that the parties proceed with the Proposed Acquisition
“Formal Subscription Agreement”	the formal legally-binding agreement to be entered into between and the Company and BII HK (as the Subscriber) in the event that the parties proceed with the Proposed Subscription
“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
“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange
“Memorandum of Understanding”	the non-legally binding (save for certain provisions relating to confidentiality and the governing law of the Memorandum of Understanding) memorandum of understanding dated 25 February 2014 entered into between the Company and BII in relation to the Proposed Acquisition and the Proposed Subscription
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Acquisition”	the proposed acquisition of the Sale Assets
“Proposed Subscription”	the conditional allotment and issue of the Subscription Shares by the Company to the Subscriber pursuant to the Formal Subscription Agreement
“Proposed Transactions”	collectively, the Proposed Acquisition and the Proposed Subscription
“Purchaser”	the Company or any its wholly-owned subsidiary

“Sale Assets”	civil communication assets (民用通信資產) 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. Civil communication transmission facilities enable the public to access wireless communications services in the subway area
“SFC”	the Securities and Futures Commission of Hong Kong
“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
“Subscriber”	BII HK
“Subscription Shares”	certain new Shares to be allotted and issued to the Subscriber pursuant to the Formal Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC
“Whitewash Waiver”	the whitewash waiver as may be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Subscriber to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it which might otherwise arise as a result of the Proposed Subscription
%	per cent

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

Hong Kong, 25 February 2014

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

* *For identification purposes only*