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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)



CONTINUING CONNECTED TRANSACTIONS

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



高銀融資有限公司

GOLDIN FINANCIAL LIMITED

CONTINUING CONNECTED TRANSACTIONS

Reference is made to (i) the announcement of the Company dated 25 June 2013 and the circular of the Company dated 17 July 2013 in relation to the Former BMN Framework Agreement; and (ii) the announcement of the Company dated 9 August 2013 and the circular of the Company dated 30 August 2013 in relation to the Former BRC Framework Agreement.

The approved annual caps in respect of the transactions contemplated under the Former BMN Framework Agreement and the Former BRC Framework Agreement will expire on 30 June 2016.

The proposed annual cap in respect of the transactions contemplated under the BMN Framework Agreement for each of the three years ending 30 June 2019 is HK\$430 million, HK\$290 million and HK\$760 million respectively. The proposed annual cap in respect of the transactions contemplated under the BRC Framework Agreement for each of the three years ending 30 June 2019 is HK\$220 million, HK\$450 million and HK\$350 million respectively.

LISTING RULES IMPLICATIONS

The Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios of the transactions contemplated under each of the BMN Framework Agreement and the BRC Framework Agreement are more than 5% and the annual caps in respect of the transactions contemplated under each of the BMN Framework Agreement and the BRC Framework Agreement are expected to be higher than HK\$10 million, such transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As such, the Company will seek the Independent Shareholders' approval for the BMN Framework Agreement and the BRC Framework Agreement and the proposed annual caps for the three years ending 30 June 2019 for the Continuing Connected Transactions at the EGM.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in connection with the Continuing Connected Transactions and the related proposed annual caps. The Independent Board Committee has approved the appointment of Goldin Financial Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Continuing Connected Transactions and the related proposed annual caps.

GENERAL

The EGM will be convened to consider and, if thought fit, to approve, among other matters, (i) the BMN Framework Agreement and the transactions contemplated thereunder; (ii) the BRC Framework Agreement and the transactions contemplated thereunder; (iii) the proposed annual caps in respect of the transactions contemplated under the BMN Framework Agreement; and (iv) the proposed annual caps in respect of the transactions contemplated under the BRC Framework Agreement. A circular including, among other things, (i) a letter from the Board containing further details of the BMN Framework Agreement and the BRC Framework Agreement; (ii) a letter from the Independent Board Committee, setting out its recommendations in connection with the Continuing Connected Transactions and the related proposed annual caps, to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice, in connection with the Continuing Connected Transactions and the related proposed annual caps, to the Independent Board Committee and the Independent Shareholders; and (iv) notice of the EGM, will be despatched to the Shareholders on or before 1 June 2016.

Reference is made to (i) the announcement of the Company dated 25 June 2013 and the circular of the Company dated 17 July 2013 in relation to the Former BMN Framework Agreement; and (ii) the announcement of the Company dated 9 August 2013 and the circular of the Company dated 30 August 2013 in relation to the Former BRC Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS

(I) BMN Framework Agreement

Parties

- (i) the Company (as service provider)
- (ii) Beijing Metro Network (as customer)

Subject matter

Pursuant to the BMN Framework Agreement, the Company agrees to provide, and procure members of the Group to provide the BMN Services to Beijing Metro Network during the term of the BMN Framework Agreement, provided that (i) the member of the Group is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm's length regarding the commercial terms to be set out in the individual agreements for the BMN Services.

Pursuant to the BMN Framework Agreement, parties thereto will enter into individual agreements for the provision of the BMN Services. Pursuant to the BMN Framework Agreement, the terms (including the service fees) of the individual agreements to be entered into will be negotiated by the parties in good faith and will be determined by the parties from time to time under normal commercial terms in the ordinary course of business. The service fees offered by the Group shall be determined with reference to, among other factors, the prevailing market conditions, competition, gross profit margin, costs of sale, duration of project and the associated risk factors.

Since the Group does not provide services similar to the BMN Services under the BMN Framework Agreement to the Independent Third Parties, comparison of the terms of the BMN Services offered to Beijing Metro Network with that offered to the Independent Third Parties is not available. In order to secure a reasonable profit margin for the BMN Services to be provided by the Group to Beijing Metro Network and to ensure that the transactions to be conducted under the BMN Framework Agreement are on normal commercial terms, the management of the Group will assess the profitability of the tenders before submission to Beijing Metro Network, taking into account (i) the gross profit margin of the historical transactions between Beijing Metro Network and the Group; and (ii) the historical awarded tender submission of the Independent Third Parties as the tendering results would be released publicly by Beijing Metro Network.

Term

The BMN Framework Agreement is dated 11 May 2016. The commencement of the BMN Framework Agreement is conditional upon fulfillment of (i) the obtaining of the approval from the Independent Shareholders by the Company in relation to the transactions contemplated under the BMN Framework Agreement and the related transactions contemplated thereunder in accordance with the Listing Rules; and (ii) the approval from the board of directors of Beijing Metro Network in relation to the BMN Framework Agreement and the related transactions contemplated thereunder.

The BMN Framework Agreement is of a term commencing from the later of (i) the date on which the conditions precedent are fulfilled; and (ii) 1 July 2016, and ending on 30 June 2019 (both days inclusive).

Proposed new annual caps and historical transaction amounts

The approved annual cap in respect of the transactions contemplated under the Former BMN Framework Agreement for each of the three years ending 30 June 2016 was HK\$220 million, HK\$230 million and HK\$240 million respectively.

The historical transaction amounts in respect of the transactions contemplated under the Former BMN Framework Agreement for each of the two years ended 30 June 2015 and the six months ended 31 December 2015 were approximately HK\$87.58 million, HK\$103.92 million and HK\$31.31 million respectively.

As far as the Directors are aware, the annual cap in respect of the transactions contemplated under the Former BMN Framework Agreement for the year ending 30 June 2016 has not been exceeded as at the date of this announcement.

The proposed annual cap in respect of the transactions contemplated under the BMN Framework Agreement for each of the three years ended 30 June 2019 is HK\$430 million, HK\$290 million and HK\$760 million respectively.

Basis of the proposed annual caps

The proposed annual caps for the BMN Framework Agreement for the three years ending 30 June 2019 are determined by reference to (i) the outstanding contract amount of various agreements entered into between the Group and Beijing Metro Network; (ii) the estimated number of projects for the provision of the BMN Services to be offered by Beijing Metro Network for tender for the three years ending 30 June 2019; (iii) the historical transaction amount under the various agreements entered into between the Group and Beijing Metro Network in relation to provision of the BMN Services; and (iv) the outlook of the transportation system the Group currently has presence on, in particular Beijing.

(II) BRC Framework Agreement

Parties

- (i) the Company (as service provider)
- (ii) Beijing Railway Construction (as customer)

Subject matter

Pursuant to the BRC Framework Agreement, the Company agrees to provide, and procure members of the Group to provide the BRC Services to Beijing Railway Construction during the term of the BRC Framework Agreement, provided that (i) the member of the Group is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm's length regarding the commercial terms to be set out in the individual agreements for the BRC Services.

Pursuant to the BRC Framework Agreement, parties thereto will enter into individual agreements for the provision of the BRC Services. Pursuant to the BRC Framework Agreement, the terms (including the service fees) of the individual agreements to be entered into will be negotiated by the parties in good faith and will be determined by the parties from time to time under normal commercial terms in the ordinary course of business. The service fees offered by the Group shall be determined with reference to, among other factors, the prevailing market conditions, competition, gross profit margin, costs of sale, duration of project and the associated risk factors. The fees for the provision of the BRC Services by the Group to Beijing Railway Construction will be benchmarked against the fees for the provision of similar services to other customers independent of and not connected with the Group to ensure that the fees to be determined are on normal commercial terms.

Term

The BRC Framework Agreement is dated 11 May 2016. The commencement of the BRC Framework Agreement is conditional upon fulfillment of (i) the obtaining of the approval from the Independent Shareholders by the Company in relation to the transactions contemplated under the BRC Framework Agreement and the related transactions contemplated thereunder in accordance with the Listing Rules; and (ii) the approval from the board of directors of Beijing Railway Construction in relation to the BRC Framework Agreement and the related transactions contemplated thereunder.

The BRC Framework Agreement is of a term commencing from the later of (i) the date on which the conditions precedent are fulfilled; and (ii) 1 July 2016, and ending on 30 June 2019 (both days inclusive).

Proposed new annual caps and historical transaction amounts

The approved annual cap in respect of the transactions contemplated under the Former BRC Framework Agreement for each of the three years ending 30 June 2016 was HK\$150 million, HK\$160 million and HK\$170 million respectively.

The historical transaction amounts in respect of the transactions contemplated under the Former BRC Framework Agreement for each of the two years ended 30 June 2015 and the six months ended 31 December 2015 were nil, approximately HK\$32.29 million and HK\$32.60 million respectively.

As far as the Directors are aware, the annual cap in respect of the transactions contemplated under the Former BRC Framework Agreement for the year ending 30 June 2016 has not been exceeded as at the date of this announcement.

The proposed annual cap in respect of the transactions contemplated under the BRC Framework Agreement for each of the three years ended 30 June 2019 is HK\$220 million, HK\$450 million and HK\$350 million respectively.

Basis of the proposed annual caps

The proposed annual caps for the BRC Framework Agreement for the three years ending 30 June 2019 are determined by reference to (i) the outstanding contract amount of various agreements entered into between the Group and Beijing Railway Construction; (ii) the estimated number of projects for the provision of the BRC Services to be offered by Beijing Railway Construction for tender for the three years ending 30 June 2019; (iii) the historical transaction amount under the various agreements entered into between the Group and Beijing Railway Construction in relation to provision of the BRC Services; and (iv) the outlook of the transportation system the Group currently has presence on, in particular Beijing.

INFORMATION OF THE PARTIES

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; (ii) the provision of application solutions software and products for the subsystems of public transport systems at line-level; and (iii) the provision of civil communication services in the Beijing Subway.

Beijing Metro Network is principally engaged in the setting up and operating the railway transport command centre in Beijing. Beijing Metro Network has been working closely with the Group regarding the two important network-level systems of the Beijing Subway, namely the ACC System and the TCC System, both in terms of the maintenance of the existing systems and the expansion of such systems.

Beijing Railway Construction is principally engaged in the organisation and management of the construction of new railway transport lines.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

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

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

Taking into account the above factors, the Directors (except the independent non-executive Directors whose view will be formed after obtaining the advice of the Independent Financial Adviser) consider that:

- (i) the terms and conditions of the BMN Framework Agreement and the BRC Framework Agreement were negotiated among the parties on an arm's length basis and are normal commercial terms that are fair and reasonable;
- (ii) the proposed annual caps in respect of the Continuing Connected Transactions for the three years ending 30 June 2019 are fair and reasonable; and
- (iii) the Continuing Connected Transactions are in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Beijing Metro Network was wholly owned by BII which wholly owned BII HK, which was a Shareholder which held approximately 34.11% of the issued share capital of the Company. Pursuant to Rule 14A.07 of the Listing Rules, Beijing Metro Network is a connected person of the Company as it is an associate of BII HK.

As at the date of this announcement, BII ERG was a non-wholly-owned subsidiary of the Group. Beijing Transport Consultation, a holder of 10% of the equity interest in BII ERG, was a substantial shareholder of BII ERG and hence was a connected person of the Group. Beijing Railway Construction was the holding company of Beijing Transport Consultation which held 93% of the equity interests in Beijing Transport Consultation, hence Beijing Railway Construction is an associate of Beijing Transport Consultation and also a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

The Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios of the transactions contemplated under each of the BMN Framework Agreement and the BRC Framework Agreement are more than 5% and the annual caps in respect of the transactions contemplated under each of the BMN Framework Agreement and the BRC Framework Agreement are expected to be higher than HK\$10 million, such transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As such, the Company will seek the Independent Shareholders' approval for the BMN Framework Agreement and the BRC Framework Agreement and the proposed annual caps for the three years ending 30 June 2019 for the Continuing Connected Transactions at the EGM.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in connection with the Continuing Connected Transactions and the related proposed annual caps. The Independent Board Committee has approved the appointment of Goldin Financial Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Continuing Connected Transactions and the related proposed annual caps.

GENERAL

The EGM will be convened to consider and, if thought fit, to approve, among other matters, (i) the BMN Framework Agreement and the transactions contemplated thereunder; (ii) the BRC Framework Agreement and the transactions contemplated thereunder; (iii) the proposed annual caps in respect of the transactions contemplated under the BMN Framework Agreement; and (iv) the proposed annual caps in respect of the transactions contemplated under the BRC Framework Agreement. A circular including, among other things, (i) a letter from the Board containing further details of the BMN Framework Agreement and the BRC Framework Agreement; (ii) a letter from the Independent Board Committee, setting out its recommendations in connection with the Continuing Connected Transactions and the related proposed annual caps, to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice, in connection with the Continuing Connected Transactions and the related proposed annual caps, to the Independent Board Committee and the Independent Shareholders; and (iv) notice of the EGM, will be despatched to the Shareholders on or before 1 June 2016.

DEFINITIONS

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

“ACC System”	automated fare collection clearing centre system, a network-level system which apportions and clears amounts among the clearing participants registered in the system to realise their commercial agreements
“Beijing Metro Network”	北京軌道交通路網管理有限公司(Beijing Metro Network Administration Co., Ltd*), a company established under PRC law with limited liability whose entire issued share capital is owned by BII
“Beijing Railway Construction”	北京市軌道交通建設管理有限公司(Beijing Railway Construction and Management Co., Ltd.*), a company established under PRC law with limited liability and wholly owned by State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality, and a holder of 93% equity interests in Beijing Transport Consultation
“Beijing Subway”	the transit rail network that serves the urban and suburban districts of Beijing municipality which is owned by the city of Beijing
“Beijing Transport Consultation”	北京城市軌道交通諮詢有限公司(Beijing City Railway Transportation Consultation Co., Ltd.*), a company established under PRC law with limited liability, and a holder of 10% of the equity interest in BII ERG
“BII”	北京市基礎設施投資有限公司(Beijing Infrastructure Investment Co., Ltd.*), a company established under PRC law with limited liability and wholly owned by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality. BII is interested in the entire issued share capital of BII HK as at the date of the announcement
“BII ERG”	北京京投億雅捷交通科技有限公司(Beijing BII-ERG Transportation Technology Co. Ltd.*), a company established under PRC law with limited liability. As at the date of this announcement, BII ERG was owned as to 90% by Beijing City Railway Holdings Company Limited (北京城市軌道交通控股有限公司), and 10% by Beijing Transport Consultation

“BII HK”	Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司), a wholly-owned subsidiary of BII incorporated under Hong Kong law with limited liability and one of the Shareholders which held approximately 34.11% of the issued share capital of the Company as at the date of this announcement
“BMN Framework Agreement”	the framework agreement dated 11 May 2016 and entered into between the Company and Beijing Metro Network in relation to the provision of the BMN Services
“BMN Services”	collectively, (i) consultation and technical support services; (ii) logistics and maintenance services; and (iii) information technology support services and other ancillary services that parties to the agreement agree in writing from time to time, in relation to the setting up and operation of the railway transport command centre in Beijing, which is the principal business of Beijing Metro Network
“Board”	the board of Directors
“BRC Framework Agreement”	the framework agreement dated 11 May 2016 and entered into between the Company and Beijing Railway Construction in relation to the provision of the BRC Services
“BRC Services”	collectively, (i) consultation and technical support services; (ii) logistics services; and (iii) information technology support services and other ancillary services that parties to the agreement agree in writing from time to time, in relation to the organisation and management of the construction of new railway transport lines, which is the principal business of Beijing Railway Construction
“Company”	China City Railway Transportation Technology Holdings Company Limited (中國城市軌道交通科技控股有限公司), 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
“Continuing Connected Transactions”	collectively, the continuing connected transactions constituted by the transactions contemplated under the BMN Framework Agreement and the BRC Framework Agreement
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, (i) the BMN Framework Agreement and the transactions contemplated thereunder; (ii) the BRC Framework Agreement and the transactions contemplated thereunder; (iii) the proposed annual caps in respect of the transactions contemplated under the BMN Framework Agreement; and (iv) the proposed annual caps in respect of the transactions contemplated under the BRC Framework Agreement
“Former BMN Framework Agreement”	the framework agreement dated 25 June 2013 and entered into between the Company and Beijing Metro Network in relation to the provision of the BMN Services, which is of a term commencing from 5 August 2013 to 30 June 2016 (both days inclusive)
“Former BRC Framework Agreement”	the framework agreement dated 9 August 2013 and entered into between the Company and Beijing Railway Construction in relation to the provision of the BRC Services, which is of a term commencing from 24 September 2013 to 30 June 2016 (both days inclusive)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, formed to advise the Independent Shareholders in connection with the Continuing Connected Transactions and the related proposed annual caps
“Independent Financial Adviser”	Goldin Financial Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a licenced corporation under the SFO permitted to carry out Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial Shareholders of the Company or any of its subsidiaries or their respective associates

“Independent Shareholders”	the Shareholders, other than the Shareholders who have a material interest in the Continuing Connected Transactions
“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange
“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
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	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
“TCC System”	traffic control centre system, a network-level system whose functions include coordinating and supervising the respective control centres and operators of different lines, facilitating information exchange between the lines and operators, direct control in cases of emergency, contacting and coordinating with external public functions such as the police, fire stations and weather observatories
“%”	per cent

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

Hong Kong, 11 May 2016

As at the date of this announcement, 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.

* *For identification purposes only*