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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: 8240)

**MEMORANDUM OF UNDERSTANDING
RELATING TO A PROPOSED ACQUISITION**

MEMORANDUM OF UNDERSTANDING RELATING TO A PROPOSED ACQUISITION

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

The Board announced that after trading hours on 7 November 2012, the Purchaser entered into the Memorandum of Understanding with the Vendor, pursuant to which the Purchaser intended to acquire and the Vendor intended to sell the 46% of the equity interests in the Target Company. The Target Company is principally engaged in providing software and hardware in application solutions and products for the subsystems for the ACC System, the TCC System and the PCC System specifically for each individual subway line.

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

As the Memorandum of Understanding may or may not lead to the entering into of the Formal Agreement and the Proposed Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when trading in the Shares.

In the event that the Proposed Acquisition materialises, it may constitute a notifiable transaction for the Company under the GEM Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the GEM Listing Rules as and when appropriate.

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

The Board announces that on 7 November 2012 (after trading hours), the Purchaser entered into the non-legally binding Memorandum of Understanding with the Vendor in relation to the Proposed Acquisition. After signing of the Memorandum of Understanding, the Vendor (or any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company) and the Purchaser (or any other company which is its directly or indirectly wholly owned subsidiary) shall enter into good faith negotiation for the Formal Agreement and other documentation.

THE MEMORANDUM OF UNDERSTANDING

Date: 7 November 2012 (after trading hours)

Parties:

The Purchaser: the Company

The Vendor: BII

Asset to be acquired

Pursuant to the Memorandum of Understanding, the Purchaser intended to acquire and the Vendor intended to sell the 46% of the equity interests in the Target Company.

Consideration

Pursuant to the Memorandum of Understanding, the Consideration will be determined with reference to the basis of determination to be mutually agreed by the Purchaser and the Vendor.

The Consideration may be satisfied by way of Consideration Shares; or other methods to be determined by the parties to the Memorandum of Understanding upon further negotiations. If the Consideration shall be settled by way of Consideration Shares, the issue price of which shall be determined by the parties thereto 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 parties to the Memorandum of Understanding upon finalisation of the Formal Agreement.

As at the date of this announcement, BII held the entire issued share capital of BII HK, one of the Shareholders which held approximately 9.95% of the issued share capital of the Company. If the Consideration shall be settled by way of Consideration Shares and the amount of Consideration Shares to be issued to the Vendor (or any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company) would entitle the Vendor (or any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company) to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company, the Vendor (or any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company) will become a substantial Shareholder and a connected person of the Company under Rule 20.11(1) of the GEM Listing Rules. Transactions between the Group and the Vendor (or any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company) or their respective associates (as defined in the GEM Listing Rule) upon completion of the Proposed Acquisition may constitute connected transactions or continuing connected transactions (“Connected Transactions”) for the Company under Chapter 20 of the GEM Listing Rules.

Conditions precedent

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

- (a) the Vendor having completed the transfer of its 46% equity interests in the Target Company to BII HK or any other wholly owned subsidiary of BII HK; and ERG BJ having completed the transfer of the entire or part of its 44% equity interests in the Target Company to the Purchaser (or any other company which is its directly or indirectly wholly owned subsidiary);
- (b) the Shareholders (or independent Shareholders (if required)) approving the Proposed Acquisition and the related transactions contemplated thereunder;
- (c) the Stock Exchange and/or the Securities and Futures Commission having approved the issue of the Consideration Shares;
- (d) the Company having satisfied with the results of its legal and financial due diligence review of the Target Company;
- (e) the Company having obtained a PRC legal opinion to be issued by a firm of PRC legal advisers approved by the Company, the contents of which should be to the satisfaction of the Company, confirming the following matters:
 - (i) the Vendor legally owns the 46% of the equity interests in the Target Company in accordance with the PRC laws and regulations;
 - (ii) the due incorporation and valid subsistence of the Target Company;
 - (iii) the Target Company legally owns and operates its business;
 - (iv) (if applicable) each of the Purchaser or the Vendor has obtained all approvals required to be obtained in relation to the Proposed Acquisition from the necessary PRC authorities; and
 - (v) other matters reasonably requested by the Company;
- (f) each of the Vendor and the Purchaser has not materially breached any representations, warranties and undertakings as set out in the Formal Agreement on or before completion date;
- (g) 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 authorities (if any); and
- (h) (if required) the independent Shareholders approving the Connected Transactions and the related transactions contemplated thereunder.

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

Non legally-binding effect

Save for the clause on exclusivity, 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 Acquisition. The Proposed Acquisition will be subject to the execution and completion of the Formal Agreement.

Exclusivity

The Vendor agrees to grant an exclusive right to the Group under which, during the period of six months from the date of signing of the Memorandum of Understanding, the Vendor shall not, on its own or through any third parties, negotiate or reach any agreement with any third parties, regarding the sale of the entire or part of the 46% of the equity interests in the Target Company owned by the Vendor or the entire or part of the assets and/or business of the Target Company (either orally or in writing).

INFORMATION ON THE TARGET COMPANY

The Target Company was established in the PRC on 10 September 2009 and principally engaged in providing software and hardware in application solutions and products for the subsystems for the ACC System, the TCC System and the PCC System specifically for each individual subway line. As at the date of this announcement, the Target Company had a registered capital of RMB20,000,000 and a total investment of RMB20,000,000; and the registered capital of the Target Company had been fully paid-up. The Target Company is currently owned as to 46% by BII, 44% by ERG BJ, an indirectly wholly owned subsidiary of the Company, and 10% by Beijing Huatong Kefeng.

REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Beijing and Hong Kong. The Group provides software and hardware application solutions at the network level of a public transport system where lines within such system are connected to. The application solutions provide a centralised computer platform which enables different computer subsystems performing different functions at the line level of the public transport systems to be connected and linked up at the network level whereby operators of the public transport systems can monitor and oversee the operation of the entire public transport system at the control centre.

The Target Company is principally engaged in providing software and hardware in application solutions and products for the subsystems for the ACC System, the TCC System and the PCC System at the line level of the public transport systems.

Taking into account the line-level application solutions will be linked up with and integrated into the network-level systems, the Proposed Acquisition represents a good opportunity for the Group to vertically integrate its services provided to customers by enriching its capabilities to design and provide application solutions at both line level and network level. This could enable a more efficient integration of the systems at these two levels and ensure the compatibility of the line-level systems with the network-level systems; and it could also enable more efficient maintenance and management of the systems. Therefore, the Directors believe the Proposed Acquisition will bring business synergy and enhance the competitive edge of the Group in the industry by virtue that the Group will be able to provide application solutions and products at both line level and network level; and the Group will be able to provide better services to the existing customers and to attract potential customers.

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

GENERAL

As the Memorandum of Understanding may or may not lead to the entering into of the Formal Agreement and the Proposed Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when trading in the Shares.

In the event that the Proposed Acquisition materialises, it may constitute a notifiable transaction for the Company under the GEM Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the GEM Listing Rules as and when appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall 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 Huatong Kefeng”	北京華通科峰軌道交通科技開發有限公司(Beijing Huatong Kefeng Railway Technology Development Co., Ltd.*), a company established under PRC law with limited liability whose entire registered capital is owned by 北京市軌道交通建設管理有限公司(Beijing Railway Construction and Management Co. Ltd.*), and a holder of 10% of the equity interests in the Target Company
“BII”	北京市基礎設施投資有限公司(Beijing Infrastructure Investment Co., Ltd.*), a company established under PRC law with limited liability and wholly owned by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality. BII is currently interested in 46% of the equity interests in the Target Company and 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 9.95% 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 GEM Listing Rules and the word “connected” shall be construed accordingly

“Consideration”	consideration payable by the Purchaser to the Vendor for the Proposed Acquisition
“Consideration Share(s)”	the Shares to be issued by the Company as Consideration for the Proposed Acquisition
“Director(s)”	the director(s) of the Company
“ERG BJ”	億雅捷交通系統(北京)有限公司(ERG Transit Systems (Beijing) Ltd.*), a wholly foreign-owned enterprise established under PRC law with limited liability whose entire equity interest is directly held by Beijing City Railway Holdings Company Limited. ERG BJ is currently an indirectly wholly owned subsidiary of the Company
“Formal Agreement”	the formal legally-binding sale and purchase agreement to be entered into between the Purchaser and the Vendor (or any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company) in the event that the parties proceed with the Proposed Acquisition
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“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
“Memorandum of Understanding”	the non-legally binding (save for certain provisions relating to exclusivity, confidentiality and the governing law of the Memorandum of Understanding) memorandum of understanding dated 7 November 2012 entered into between the Purchaser and the Vendor in relation to the Proposed Acquisition
“PCC System”	PIS control centre system, a network-level system which centralises the functions of compiling and disseminating multimedia information and day-to-day operation data, receiving external information, and acting as information link between various lines within a public transport system with passenger interchange points
“PIS”	passenger information system, a line-level system which gives real-time audio and multimedia information to passengers through computerised public announcements and digital display subsystems
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Acquisition”	the proposed acquisition of 46% of the equity interests in the Target Company

“Purchaser”	the Company
“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
“Target Company”	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 and whose registered capital is owned as to 46% by BII, 44% by ERG BJ, an indirectly wholly-owned subsidiary of the Company, and 10% by Beijing Huatong Kefeng
“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
“Vendor”	BII
%	per cent

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

Hong Kong, 7 November 2012

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 and Mr. Steven Bruce Gallagher; and the independent non-executive Directors are Mr. Hu Zhaoguang, Mr. Bai Jinrong and Dr. Kong Shin Long, Johnny.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk and on the “Latest Company Announcements” page of the GEM website for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at www.ccrtt.com.hk.

* For identification purposes only