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**京投軌道交通科技控股有限公司**  
**BII Railway Transportation Technology Holdings Company Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 1522)**

**ANNOUNCEMENT**  
**CONTINUING CONNECTED TRANSACTIONS**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**CONTINUING CONNECTED TRANSACTIONS**

The Board is pleased to announce that on 2 August 2019, the Company entered into the Services Framework Agreement with BII, pursuant to which the Group would provide BII, its subsidiaries and/or its associates with the Services.

Reference is made to the announcement of the Company dated 11 May 2016 and the circular of the Company dated 1 June 2016 in relation to, among others, the Former BMN Framework Agreement. The Former BMN Framework Agreement was entered into between the Company and Beijing Metro Network on 11 May 2016 in relation to the provision of certain services by the Company to Beijing Metro Network during the term commencing from 1 July 2016 to 30 June 2019. As (i) the term of the Former BMN Framework Agreement had ended; (ii) the Group is contemplating to enter into continuing connected transactions with BII, its subsidiaries and/or its associates; and (iii) Beijing Metro Network is one of the subsidiaries of BII, it was agreed by the Company and BII that the Services Framework Agreement shall include the renewal of term of the Former BMN Framework Agreement.

The proposed annual cap in respect of the transactions contemplated under the Services Framework Agreement for each of the six months ending 31 December 2019 and the years ending 31 December 2020 and 2021 is RMB240 million, RMB870 million and RMB1,210 million, respectively (equivalent to HK\$274 million, HK\$992 million and HK\$1,379 million, respectively).

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, BII held approximately 55.12% of the Shares through its wholly-owned subsidiary, namely BII HK, thus BII is the ultimate holding company of the Company and is therefore a connected person of the Company under the Listing Rules. Thus, the transactions contemplated under the Services Framework Agreement would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios of the transactions contemplated under the Services Framework Agreement are more than 25% and the annual caps in respect of the transactions contemplated under the Services 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 transactions contemplated under the Services Framework Agreement and the proposed annual caps for the six months ending 31 December 2019 and the years ending 31 December 2020 and 2021 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 transactions contemplated under the Services Framework Agreement and the related proposed annual caps. The Independent Board Committee has approved the appointment of VC Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the transactions contemplated under the Services Framework Agreement 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 Services Framework Agreement and the transactions contemplated thereunder; and (ii) the proposed annual caps in respect of the transactions contemplated under the Services Framework Agreement. A circular including, among other things, (i) a letter from the Board containing further details of the Services Framework Agreement; (ii) a letter from the Independent Board Committee, setting out its recommendations in connection with the transactions contemplated under the Services Framework Agreement 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 transactions contemplated under the Services Framework Agreement 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 22 August 2019.

## **INTRODUCTION**

The Board is pleased to announce that on 2 August 2019, the Company entered into the Services Framework Agreement with BII, pursuant to which the Group would provide BII, its subsidiaries and/or its associates with the Services.

## **THE SERVICES FRAMEWORK AGREEMENT**

The principal terms of the Services Framework Agreement are set out as follows:

### **Date**

2 August 2019

### **Parties**

- (i) The Company; and
- (ii) BII

### **Provision of the Services**

Pursuant to the Services Framework Agreement, the Group agrees to provide the Services to BII, its subsidiaries and/or its associates during the term of the Services 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 Services.

### **Transaction principles**

Pursuant to the Services Framework Agreement, the Group and BII, its subsidiaries and/or its associates will enter into individual agreements for the provision of the Services. Pursuant to the Services Framework Agreement, the terms (including the service fees) of the individual agreements to be entered into will be negotiated by the parties at arm's length and will be determined by the parties from time to time on normal commercial terms in the ordinary course of business.

### **Pricing principles**

Pursuant to the Services Framework Agreement, the price of the transactions contemplated thereunder will be determined as follows:

- (1) where there is government-prescribed price, the government-prescribed price shall be executed;

“government-prescribed price” refers to the price prescribed for certain services or services determined under the laws, regulations, decisions, orders or focuses by the central and provincial governments or relevant regulatory authorities in the PRC;

- (2) where there is no government-prescribed price, but there is government-guided price, the government-guided price shall be executed by considering the market factors;

“government-guided price” refers to the price range prescribed for certain services or services determined under the laws, regulations, decisions, orders or focuses by the central and provincial governments or relevant regulatory authorities in the PRC, which shall be determined by transaction parties within such certain range;

- (3) where there is neither government-prescribed price nor government-guided price, the price determined through tender process or the market price shall be executed;

“market price” shall be determined in the following order: (i) the price charged by at least two independent third parties who offer the same type of services under normal commercial terms in the normal conditions of business transactions at or near the area where such services are provided; or (ii) where (i) above is not available, the price charged by at least two independent third parties who offer the same type of services under normal commercial terms in the normal conditions of business transactions in the PRC; or

- (4) where none of the above three means is available or the above transaction principles are not applicable for use in actual transactions, the agreed price shall be executed;

“agreed price” means the price determined by means of “reasonable cost + reasonable profit”. In an agreement, “reasonable cost” means the cost recognised by both parties after negotiations and permitted by the relevant accounting principles of the PRC (inclusive of sales tax and surcharges); and “reasonable profit” means the profit calculated based on such reasonable cost under market practice.

## **Term**

The Services Framework Agreement is effective upon fulfillment of the following conditions precedent:

- (i) the Company issuing a circular and obtaining the approval from the Independent Shareholders in relation to the transactions contemplated under the Services Framework Agreement in accordance with the Listing Rules; and
- (ii) the approval from the board of directors of BII in relation to the transactions contemplated under the Services Framework Agreement.

Subject to the fulfilment of the above conditions precedent, the Services Framework Agreement shall be effective between 1 July 2019 and 31 December 2021.

The term of the Services Framework Agreement is set to two and a half years in order to be consistent with the financial year end of the Company in both 2020 and 2021.

## **Settlement method**

The service fee shall be paid by BII, its subsidiaries and/or associates to the Group upon completion of relevant services provided within the settlement cycle as agreed under individual agreements entered into in accordance with the Services Framework Agreement.

## **THE PROPOSED ANNUAL CAPS**

Reference is made to the announcement of the Company dated 11 May 2016 and the circular of the Company dated 1 June 2016 in relation to, among others, the Former BMN Framework Agreement. The Former BMN Framework Agreement was entered into between the Company and Beijing Metro Network on 11 May 2016 in relation to the provision of certain services by the Company to Beijing Metro Network during the term commencing from 1 July 2016 to 30 June 2019. As (i) the term of the Former BMN Framework Agreement had ended; (ii) the Group is contemplating to enter into continuing connected transactions with BII, its subsidiaries and/or its associates; and (iii) Beijing Metro Network is one of the subsidiaries of BII, it was agreed by the Company and BII that the Services Framework Agreement shall include the renewal of term of the Former BMN Framework Agreement.

The approved annual cap in respect of the transactions contemplated under the Former BMN Framework Agreement for each of the three years ended 30 June 2019 was HK\$430 million, HK\$290 million and HK\$760 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 2018 and the six months ended 31 December 2018 were approximately HK\$76 million, HK\$118 million and HK\$47 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 ended 30 June 2019 has not been exceeded as at the date of this announcement.

The proposed annual cap in respect of the transactions contemplated under the Services Framework Agreement for each of the six months ending 31 December 2019 and the years ending 31 December 2020 and 2021 is RMB240 million, RMB870 million and RMB1,210 million, respectively (equivalent to HK\$274 million, HK\$992 million and HK\$1,379 million, respectively).

## **Basis of the proposed annual caps**

The proposed annual caps for the Services Framework Agreement for the six months ending 31 December 2019 and the years ending 31 December 2020 and 2021 are determined with reference to, among others, the following:

- (i) the historical transaction amount under the various agreements entered into between the Group and Beijing Metro Network, being a subsidiary of BII, in relation to provision of the Services;
- (ii) the outstanding contract amount of various agreements entered into between the Group and Beijing Metro Network, being a subsidiary of BII;

- (iii) the estimated number of projects for the provision of the Services to be offered by BII, its subsidiaries and/or its associates for tender for the six months ending 31 December 2019 and the years ending 31 December 2020 and 2021;
- (iv) the development outlook of the city railway transportation industry, in particular Beijing, including but not limited to the following factors:
  - (1) pursuant to the “Second-phase Construction Plan of Beijing’s Urban Rail Network (2015-2021)” (北京市城市軌道交通第二期建設規劃 (2015年–2021年)) approved by the National Development and Reform Commission and the adjustment scheme for second phase construction plan which is currently being prepared by BII, the operating mileage of railway transit in Beijing is expected to reach approximately 1,000 kilometres. Such large scale of new line construction which may lead to steady growth of existing businesses of the Group including the Automatic Fare Collection System, Passenger Information System, Automatic Fare Collection Clearing Centre System and Traffic Control Centre System businesses;
  - (2) pursuant to the “Development Action Plan of Beijing’s Intelligent Railway Transportation (2019-2021)” (北京智慧軌道交通發展行動計劃 (2019年–2021年)) which is currently under formulation, it is expected that the Group will deploy large amount of new investments in intelligent adjustment command, intelligent operation and maintenance, intelligent services for passengers, intelligent vehicles and other relevant aspects. Such investments and upgrade of intelligent railway transportation systems will accelerate the growth of new businesses including the construction of big data centre for railway transportation, Automatic Fare Collection System cloud platform, and internet ticketing system with face and biometric recognitions; and
  - (3) the development of the city railway transportation public-private partnership projects in other regions beyond Beijing by BII, which may bring better business opportunities to the Group;
- (v) the acquisition of Suzhou Huaqi Intelligent Technology Co. Ltd.\* (蘇州華啟智能科技有限公司) by the Group which was completed in March 2019, and resulted in substantial increase in the scale of operations of the Group after the acquisition; and
- (vi) the Group’s intention to expand its scope of business from mainly Automatic Fare Collection System into five main business areas, namely Automatic Fare Collection System, Passenger Information System, Integrated Supervision and Control System, Security Protection and Alarm System, and Communication System.

## **INFORMATION ON THE PARTIES**

### **The Company and the Group**

The Company is an investment holding company. The Group integrates investment and finance, research and development of technologies, intelligent railway transportation business and maintenance, and implement the industry layout of “giving priority to intelligent railway transportation services and civil communication transmission services and supplementing with new business development through joint ventures and partnership”, thereby building a business layout of providing the whole lifecycle service for the development of urban railway transportation. The Group’s intelligent railway transportation services provide design, implementation and sale, and maintenance of application solution services, including related software; and the Group has been aiming for scientific and technological innovations such as rail transit cloud platform construction and big data construction and analysis to promote the development of urban rail transit systems from informationised business to intelligent business.

### **BII**

BII is a company established in the PRC as at the date of this announcement. BII held approximately 55.12% of the Shares through its wholly-owned subsidiary, namely BII HK, thus BII is an ultimate controlling shareholder of the Company. To the best of the Directors’ knowledge, information and belief, BII is principally engaged in the investment, financing and management of rail transit infrastructure, rail transit equipment manufacturing as well as information technology, and the development and operation of land and estates.

### **REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

The transactions contemplated under the Services Framework Agreement will be conducted in the ordinary and usual course of business of the Group.

As (i) BII has been the ultimate controlling Shareholder of the Company; and (ii) there has been a long-standing business relationship between BII, its subsidiaries and/or its associate and the Group, the Directors consider BII, its subsidiaries and/or its associate are reliable business partners and further business cooperation will be beneficial to and provide a steady income stream to the Group.

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 Services 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 transactions contemplated under the Services Framework Agreement for the six months ending 31 December 2019 and the years ending 31 December 2020 and 2021 are fair and reasonable; and
- (iii) the transactions contemplated under the Services Framework Agreement are in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, BII held approximately 55.12% of the Shares through its wholly-owned subsidiary, namely BII HK, thus BII is the ultimate holding company of the Company and is therefore a connected person of the Company under the Listing Rules. Thus, the transactions contemplated under the Services Framework Agreement would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios of the transactions contemplated under the Services Framework Agreement are more than 25% and the annual caps in respect of the transactions contemplated under the Services 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 transactions contemplated under the Services Framework Agreement and the proposed annual caps for the six months ending 31 December 2019 and the years ending 31 December 2020 and 2021 at the EGM.

As (i) Mr. Zhang Yanyou serves as the chairman of the board of directors of BII; (ii) Mr. Guan Jifa serves as the deputy general manager of BII; (iii) Mr. Zheng Yi serves as an assistant general manager and a general manager of the railway transportation business department of BII; and (iv) Mr. Ren Yuhang serves as the board secretary and the general manager of investment development headquarters of BII, each of Mr. Zhang Yanyou, Mr. Guan Jifa, Mr. Zheng Yi and Mr. Ren Yuhang is deemed to be materially interested in the Services Framework Agreement by virtue of their senior management position held in BII respectively, and therefore, each of Mr. Zhang Yanyou, Mr. Guan Jifa, Mr. Zheng Yi and Mr. Ren Yuhang has abstained from voting on the relevant resolutions at the relevant Board meeting.

## **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 transactions contemplated under the Services Framework Agreement and the related proposed annual caps. The Independent Board Committee has approved the appointment of VC Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the transactions contemplated under the Services Framework Agreement 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 Services Framework Agreement and the transactions contemplated thereunder; and (ii) the proposed annual caps in respect of the transactions contemplated under the Services Framework Agreement. A circular including, among other things, (i) a letter from the Board containing further details of the Services Framework Agreement; (ii) a letter from the Independent Board Committee, setting out its recommendations in connection with the transactions contemplated under the Services Framework Agreement 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 transactions contemplated under the Services Framework Agreement 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 22 August 2019.

## DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“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 in the PRC with limited liability whose entire issued share capital is owned by BII as at the date of this announcement
“BII”	北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Co., Ltd.*), a company established in the PRC with limited liability and the ultimate controlling Shareholder as at the date of this announcement
“BII HK”	Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司), a wholly-owned subsidiary of BII incorporated in Hong Kong with limited liability and a controlling Shareholder which held approximately 55.12% of the total issued Shares as at the date of this announcement
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	BII Railway Transportation Technology Holdings Company Limited, a 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
“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 Services Framework Agreement and the transactions contemplated thereunder; and (ii) the proposed annual caps in respect of the transactions contemplated under the Services Framework Agreement
“Former 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 certain services by the Company, which is of a term between 1 July 2016 and 30 June 2019
“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 of the Board, comprising all the independent non-executive Directors, namely Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin, established for the purpose of advising the Independent Shareholders on the Services Framework Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	VC Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Services Framework Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) other than BII and its associates
“independent third party(ies)”	person(s) who or company(ies) which is/are third party(ies) independent of the Company and its connected person
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	means consultation and technical support services, information technology support services, technology services, technology development, software development, software procurement, hardware design and development, hardware procurement, system integration, system procurement, operations and maintenance, construction of projects and other types of ancillary services to be agreed by parties in writing from time to time
“Services Framework Agreement”	the framework agreement dated 2 August 2019 and entered into between the Company and BII in relation to the provision of the Services
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board  
**BII Railway Transportation Technology  
Holdings Company Limited**  
**Xuan Jing**  
*Executive Director*  
*Chief Executive Officer*

Hong Kong, 2 August 2019

*For the purpose of this announcement, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.14.*

*As at the date of this announcement, the executive Directors are Mr. Cao Wei and Ms. Xuan Jing; the non-executive Directors are Mr. Zhang Yanyou, Mr. Guan Jifa, Mr. Zheng Yi and Mr. Ren Yuhang; and the independent non-executive Directors are Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin.*

\* *For identification purposes only*