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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in BII Railway Transportation Technology Holdings Company Limited (the “Company”), you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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京投轨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)

CONTINUING CONNECTED TRANSACTIONS
(I) THE NEW BII SERVICES FRAMEWORK AGREEMENT; AND
(II) THE BEIJING INFORMATION SERVICES FRAMEWORK
AGREEMENT (NON-COMPLIANCE CCTs AND NON-COMPLIANCE
OF LISTING RULES)
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee, the BII
Independent Shareholders and the Beijing Information Independent Shareholders



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set out on pages 6 to 27 of this circular.

A notice convening the EGM to be held at Conference Room, 4/F, 4th Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People’s Republic of China on Thursday, 3 March 2022 at 9:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed.

Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting (i.e. not later than 9:30 a.m. on Tuesday, 1 March 2022 (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjournment thereof (as the case may be) should you so wish.

11 February 2022

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 17 December 2021 in relation to, among other matters, (i) the New BII Services Framework Agreement; and (ii) the Beijing Information Services Framework Agreement and the transactions contemplated thereunder
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Beijing Information”	北京地鐵信息發展有限公司 (Beijing Subway Information Development Co., Ltd.*), a company established in the PRC with limited liability and approximately 48.39% and 51.61% of its equity interests are held by Beijing Subway Operation and Beikong Telecom as at the Latest Practicable Date
“Beijing Information Independent Shareholder(s)”	the Shareholder(s) other than Mr. Cao and his respective associates
“Beijing Information Services Framework Agreement”	the framework agreement dated 17 December 2021 and entered into between the Company and Beijing Information in relation to the provision of Services II
“Beijing Subway Operation”	北京市地鐵運營有限公司 (Beijing Subway Operation Co., Ltd.*), a company established in the PRC with limited liability and directly administered by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality, and an independent third party
“Beikong Telecom”	北京北控電信通技術服務有限公司 (Beijing Beikong Telecom Technology Service Co., Ltd.*), a company established in the PRC with limited liability, which is ultimately beneficially owned by Mr. Cao as at the Latest Practicable Date
“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 wholly-owned by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality, and the ultimate controlling Shareholder as at the Latest Practicable Date

DEFINITIONS

“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 55.20% of the total issued Shares as at the Latest Practicable Date
“BII Independent Shareholder(s)”	the Shareholder(s) other than BII and its respective associates
“Board”	the board of Directors
“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 purpose of considering and, if thought fit, to approve, among other matters, (i) the New BII Services Framework Agreement and the transactions contemplated thereunder; (ii) the Beijing Information Services Framework Agreement and the transactions contemplated thereunder; (iii) the proposed annual caps in respect of the transactions contemplated under the New BII Services Framework Agreement; and (iv) the proposed annual caps in respect of the transactions contemplated under the Beijing Information Services Framework Agreement
“Former BII Services Framework Agreement”	the framework agreement dated 2 August 2019 and entered into between the Company and BII in relation to the provision of Services I by the Company, which is of a term between 1 July 2019 and 31 December 2021
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“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 (i) the BII Independent Shareholders in connection with the transactions contemplated under the New BII Services Framework Agreement and the related proposed annual caps; and (ii) Beijing Information Independent Shareholders in connection with the transactions contemplated under the Beijing Information Services Framework Agreement and the related proposed annual caps
“Independent Financial Adviser”	Innovax Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and 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 appointed to advise (i) the Independent Board Committee in respect of each of the New BII Services Framework Agreement and the BII Information Services Framework Agreement, and the transactions contemplated thereunder; (ii) the BII Independent Shareholders in respect of the New BII Services Framework Agreement and the transactions contemplated thereunder; and (iii) Beijing Information Independent Shareholders in respect of the Beijing Information Services Framework Agreement and the transactions contemplated thereunder
“independent third party(ies)”	person(s) who or company(ies) which is/are third party(ies) independent of the Company and its connected person
“Latest Practicable Date”	8 February 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Letter of Disclosure”	the letter filled up by the Directors during the Company’s annual and interim audit for disclosure of, among others, material interests in companies outside of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cao”	Mr. Cao Wei, an executive Director and the vice chairman of the Company
“New BII Services Framework Agreement”	the framework agreement dated 17 December 2021 and entered into between the Company and BII in relation to the provision of Services I
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Services I”	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 the parties in writing from time to time
“Services II”	means the maintenance, fault repair, expansion and upgrade services of the systems, equipment and facilities in relation to civil communications, and other types of auxiliary services agreed by the parties in writing from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“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

LETTER FROM THE BOARD

京投轨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)

Executive Director:

Ms. Xuan Jing

(Chief Executive Officer)

Non-executive Directors:

Mr. Zhang Yanyou *(Chairman)*

Mr. Cao Wei *(Vice Chairman)*

Mr. Guan Jifa

Mr. Zheng Yi

Ms. Gu Xiaohui

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Principal place of business in Hong Kong:

Unit 4407, 44/F, COSCO Tower

183 Queen's Road Central

Sheung Wan, Hong Kong

Independent non-executive Directors:

Mr. Bai Jinrong

Mr. Luo Zhenbang

Mr. Huang Lixin

11 February 2022

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

Reference is made to the Announcement in relation to, among others, (i) the New BII Services Framework Agreement; and (ii) the Beijing Information Services Framework Agreement, and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of each of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement, and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee, and the recommendation from the Independent Financial Adviser to (a) the Independent Board Committee with regards to the New BII Services Framework Agreement, the Beijing Information Services Framework Agreement, and the transactions contemplated thereunder; (b) the BII Independent Shareholders with regards to the New BII Services Framework Agreement and the transactions contemplated thereunder; and (c) the Beijing Information Independent Shareholders with regards to the Beijing Information Services Framework Agreement and the transactions contemplated thereunder; and (iii) the notice of EGM.

LETTER FROM THE BOARD

2. THE NEW BII SERVICES FRAMEWORK AGREEMENT

On 17 December 2021, the Company entered into the New BII Services Framework Agreement with BII, pursuant to which the Group would provide BII, its subsidiaries and/or its associates with Services I.

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

Date

17 December 2021

Parties

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

Provision of Services I

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

Term

The New BII Services Framework Agreement is effective upon fulfilment of the following conditions precedent:

- (i) the Company issuing a circular and obtaining the approval from the BII Independent Shareholders in relation to the transactions contemplated under the New BII 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 New BII Services Framework Agreement.

Subject to the fulfilment of the above conditions precedent, the New BII Services Framework Agreement shall be effective between 1 January 2022 and 31 December 2024.

LETTER FROM THE BOARD

The term of the New BII Services Framework Agreement is set to three years in order to be consistent with the financial year ends of the Company in 2022, 2023 and 2024.

The proposed annual caps

Reference is made to the announcement of the Company dated 2 August 2019 and the circular of the Company dated 29 August 2019 in relation to, among others, the Former BII Services Framework Agreement. The Former BII Services Framework Agreement was entered into between the Company and BII on 2 August 2019 in relation to the provision of Services I by the Company to BII during the term commencing from 1 July 2019 to 31 December 2021. As the term of the Former BII Services Framework Agreement expired on 31 December 2021 and the Group is contemplating to enter into continuing connected transactions with BII, its subsidiaries and/or associates, the Company and BII entered into the New BII Services Framework Agreement to renew the term of the Former BII Services Framework Agreement.

The approved annual caps in respect of the transactions contemplated under the Former BII Services Framework Agreement for the six months ended 31 December 2019 and the two years ended 31 December 2020 and 2021 were RMB240 million, RMB870 million and RMB1,210 million, respectively (equivalent to approximately HK\$293 million, HK\$1,061 million and HK\$1,476 million, respectively).

The historical transaction amounts in respect of the transactions contemplated under the Former BII Services Framework Agreement for the six months ended 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021 were approximately HK\$78 million, HK\$154 million and HK\$76 million respectively. As far as the Directors are aware, the annual caps in respect of the transactions contemplated under the Former BII Services Framework Agreement for the year ended 31 December 2021 was not exceeded.

The proposed annual caps in respect of the transactions contemplated under the New BII Services Framework Agreement for the years ending 31 December 2022, 2023 and 2024 are RMB600 million, RMB800 million and RMB900 million, respectively (equivalent to HK\$732 million, HK\$976 million and HK\$1,098 million, respectively).

Basis of the proposed annual caps

The proposed annual caps for the New BII Services Framework Agreement for the years ending 31 December 2022, 2023 and 2024 are determined with reference to, among others, the following:

- (i) the historical transaction amounts in respect of the transactions contemplated under the Former BII Services Framework Agreement;

LETTER FROM THE BOARD

- (ii) the transaction amounts in respect of the transactions to be completed under the Former BII Services Framework Agreement;
- (iii) the estimated number of projects for the provision of Services I to be offered by BII, its subsidiaries and/or associates for tender for the years ending 31 December 2022, 2023 and 2024;
- (iv) the favourable development outlook of the railway transportation industry in the PRC for the next three years, which provides more market opportunities for the Group to leverage its capabilities in the provision of Services I to BII, including but not limited to the following factors:
 - (1) the optimisation of the policies in relation to the railway transportation industry in the PRC, including a series of high-precision industrial policies successively promulgated, such as the outline for “Made in China 2025” (《中國製造2025綱要》), the “Outline for the Construction of Nation with Strong Transportation System” (《交通強國建設綱要》), the “Outline for the Development of Intelligent Urban Rail Transit in China’s Urban Rail Transit” (《中國城市軌道交通智慧城軌發展綱要》) and the “National Comprehensive Three-dimensional Transportation Network Planning Outline” (《國家綜合立體交通規劃綱要》), all of which provides a favourable political environment for the Group’s business development;
 - (2) as intercity high-speed railway and railway transportation play an important part of China’s plan for new infrastructure, the Group expects that the investment scale of the railway transportation industry in the PRC will continue to expand in the future, in particular, (i) investment in railways in the PRC is expected to remain at a high level of about RMB800 billion per year; (ii) the average annual investment in city railway transportation is expected to exceed RMB800 billion, with a growth rate at approximately 9% per year; and (iii) the scale of the information system market in railway transportation will also continue to expand; and
 - (3) Beijing’s 14th Five-Year Plan (《北京「十四五」規劃綱要》) clearly stated that intelligent and efficient transportation services will be provided in future, where (i) the total operating mileage of railways in Beijing is expected to reach 1,600 km, and the total suburban railway mileage is expected to reach 600 km in 2025; and (ii) “the Coordinated Development of Beijing-Tianjin-Hebei” (京津冀協同發展) will continue to be promoted, all of which will create a favourable environment for the Group’s business development; and

LETTER FROM THE BOARD

- (v) the Group's two core businesses, namely the intelligent railway transportation business and the infrastructure information business, have gradually expanded, in particular, businesses in relation to intelligent operation and maintenance, information security, intelligent construction management, intelligent community and intelligent parks, have gradually been developed, which will contribute to the Group's revenue progressively in the future.

In addition, in determining the proposed annual caps for the New BII Services Framework Agreement, the Company assessed the pipeline of upcoming projects that may be awarded by BII by way of open tender for the years ending 31 December 2022, 2023 and 2024, respectively. Based on such potential project pipeline, the total aggregate contract value attributable to these potential projects from BII amounts to approximately RMB3,381 million (equivalent to approximately HK\$4,125 million), which represented approximately 147.0% of the aggregate amount of the proposed annual caps in respect of the transactions contemplated under the New BII Services Framework Agreement for the years ending 31 December 2022, 2023 and 2024 (i.e. RMB2,300 million, equivalent to approximately HK\$2,806 million). The potential project pipeline is mainly related to:

(a) Daily operation and maintenance

As part of the Group's principal business, the Group will continue to provide services of information centre operation and maintenance, mainframe network operation and maintenance, integrated management and control operation and maintenance for railway system. The daily operation and maintenance projects are primarily recurring in nature, which the Group had provided these services to BII, its subsidiaries and/or associates in the past. Based on the estimation of six potential projects of this type, the total contract sum is estimated to be approximately RMB226 million (equivalent to approximately HK\$276 million).

(b) Projects in Beijing

While BII will continue to develop the railway system in Beijing in accordance with the government policies, the potential projects in Beijing represent the Group's largest proportion of project pipeline that may be awarded from BII. The major potential projects are attributable to Line 22 (Pinggu Line), Line 28 (Central Business District Line) and Line 13 in Beijing, which are consistent with the aforementioned government plan as set out in the "Adjustment Scheme for Second-phase Construction Plan of Beijing's Urban Rail Network" (關於調整北京市城市軌道交通第二期建設規劃方案的批覆) in 2019 approved by the National Development and Reform Commission of the PRC. Other than the development and expansion of railway system, the Group will utilise its expertise in intelligent technology of urban railway transportation to provide civil communications transmission services to BII, its subsidiaries and/or associates. Based on the estimation of 55 potential projects of this type, the total contract sum is estimated to be approximately RMB3,068 million (equivalent to approximately HK\$3,743 million).

LETTER FROM THE BOARD

(c) *Projects outside Beijing*

To support BII's expansion into cities other than Beijing, the Group will cooperate with BII for potential projects, including the public-private-partnership projects in Urumqi and Xian of the PRC. Based on the estimation of five potential projects of this type, the total contract sum is estimated to be approximately RMB87 million (equivalent to approximately HK\$106 million).

The above estimated total contract sum for the potential projects that may be awarded by BII was determined based on the Group's initial assessment on the availability of potential projects to be undertaken by BII based on discussions with BII and with reference to the scale and technical requirements of these projects.

Settlement method

The service fee shall be paid by BII, its respective 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 New BII Services Framework Agreement.

The transactions conducted under the Former BII Services Agreement contributed to approximately 12.5%, 10.0% and 14.6% of the total revenue of the Group for the six months ended 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021. As disclosed above, the total operating mileage of railways in Beijing is expected to reach 1,600 km, and the total suburban railway mileage is expected to reach 600 km in 2025. Such large scale of new line construction can lead to the growth of existing businesses of the Group in Beijing.

Apart from the positive outlook of the Group's business in Beijing, as set out in the 2020 annual report of the Company, the Group has expanded its business across the PRC outside of Beijing. For example, the Group secured various on-board PIS Passenger Information System (乘客信息系統) ("PIS") projects of Changsha Metro Line 5, Hangzhou Metro Line 4 and Line 6's phase 2 project, Ji'nan Metro Line R3, Shaoxing Metro Line 1, Xiamen Metro Line 3, Fuzhou Metro Lines 5 and 6, and Automated Fare Collection System (自動售檢票系統) ("AFC") projects of Zhengzhou Metro Line 4, Chengdu Metro's Coordination and Command Centre (COCC) project, and the connection of Zhengzhou Metro Line 3's AFC system to Automatic Fare Collection Network Control Centre (自動售檢票線網管理中心). The Group has also been expanding its overseas market and has won the bidding of several overseas projects in Mexico, Brazil, Bulgaria, Romania, etc., which enhanced its international influence. The Group's foreign footprint has been expanded to 15 cities in 9 foreign countries as at 31 December 2020.

LETTER FROM THE BOARD

Given that BII is the ultimate controlling Shareholder, the Board believes that it is in the mutual interests of BII and the Group to continue the long-standing business relationship and therefore such business relationship is unlikely to be terminated or materially adversely changed. Moreover, as disclosed above, it is expected that the Company's revenue will increase substantially in the future due to, among others, the expected positive market outlook in the railway transportation industry in Beijing, the Group's rapid growth across the PRC and the Group's expansion in the overseas market. Hence, the Board is of the view that the proposed transactions contemplated under the New BII Services Framework Agreement will not contribute substantially to the future revenue of the Company and the Company's business and operations do not rely materially on its connected persons.

3. THE BEIJING INFORMATION SERVICES FRAMEWORK AGREEMENT (NON-COMPLIANCE CCTs AND NON-COMPLIANCE OF LISTING RULES)

Since 2014, the Group has entered into various continuing transactions with a term typically for three years with Beijing Information in relation to Services II (i.e. including but not limited to the maintenance, fault repair, expansion and upgrade services of the systems, equipment and facilities in relation to civil communications). On 19 June 2019, Mr. Cao, an executive Director and the vice chairman of the Company, became the ultimate beneficial owner of Beikong Telecom, which holds approximately 51.61% of the equity interests of Beijing Information. Accordingly, Beijing Information has become an associate of Mr. Cao, and therefore has become a connected person of the Company under Chapter 14A of the Listing Rules since then. Thus, the continuing transactions entered into between the Group and Beijing Information since 19 June 2019 have constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules (the "Non-compliance CCTs").

The transaction amount in respect of the Non-compliance CCTs was approximately (i) RMB18.7 million for the six months ended 31 December 2019; (ii) RMB35.7 million for the year ended 31 December 2020. The estimated transaction amount in respect of the Non-compliance CCTs for the year ended 31 December 2021 is RMB35.5 million. As the applicable percentage ratios of the Non-compliance CCTs exceed 0.1% but are less than 5%, the Non-compliance CCTs are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Due to Mr. Cao's failure to timely notify the Company in relation to his indirect equity interests in Beijing Information and his failure to make relevant disclosure in the Letter of Disclosure, the Company was not aware of the connected relationship between the Company and Beijing Information at the relevant time, and therefore the Company had not complied with the reporting and announcement requirements under the Listing Rules in relation to the Non-compliance CCTs.

LETTER FROM THE BOARD

In around December 2021, according to the information provided by Mr. Cao, he has become the ultimate beneficial owner of Beijing Information on 19 June 2019. The Company was thereby aware of the Non-compliance CCTs upon further review and enquiries in relation to the nature and details of the transactions between the Group and Beijing Information. After the Company becoming aware of the Non-compliance CCTs, it took immediate actions to rectify such non-compliance, including adding Beijing Information as a connected person in the Company's list of connected persons. On 17 December 2021, the Company entered into the Beijing Information Services Framework Agreement, pursuant to which Beijing Information, its subsidiaries and/or associates would provide the Group with Services II (i.e. including but not limited to the maintenance, fault repair, expansion and upgrade services of the systems, equipment and facilities in relation to civil communications), subject to the Beijing Information Independent Shareholders' approval.

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

Date

17 December 2021

Parties

- (i) The Company; and
- (ii) Beijing Information

Provision of Services II

Pursuant to the Beijing Information Services Framework Agreement, Beijing Information, its subsidiaries and/or associates would provide Services II to the Group during the term of the Beijing Information Services Framework Agreement, provided that (i) the member of Beijing Information 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 Services II.

Term

The Beijing Information Services Framework Agreement is effective upon fulfilment of the following conditions precedent:

- (i) the Company issuing a circular and obtaining the approval from the Beijing Information Independent Shareholders in relation to the transactions contemplated under the Beijing Information Services Framework Agreement in accordance with the Listing Rules; and

LETTER FROM THE BOARD

- (ii) the passing of all approval procedures by Beijing Information in relation to the transactions contemplated under the Beijing Information Services Framework Agreement.

Subject to the fulfilment of the above conditions precedent, the Beijing Information Services Framework Agreement shall be effective between 1 January 2022 and 31 December 2024.

The term of the Beijing Information Services Framework Agreement is set to three years in order to be consistent with the financial year ends of the Company in 2022, 2023 and 2024.

The proposed annual caps

The historical transaction amounts under the services agreements entered into between the Group and Beijing Information in relation to Services II for the two years ended 31 December 2019 and 2020, and the six months ended 30 June 2021 were approximately RMB35.1 million, RMB35.7 million and RMB17.7 million respectively.

The proposed annual caps in respect of the transactions contemplated under the Beijing Information Services Framework Agreement for the years ending 31 December 2022, 2023 and 2024 are RMB60 million, RMB70 million and RMB90 million, respectively (equivalent to HK\$73.2 million, HK\$85.4 million and HK\$109.8 million, respectively).

Basis of the proposed annual caps

The proposed annual caps for the Beijing Information Services Framework Agreement for the years ending 31 December 2022, 2023 and 2024 are determined with reference to, among others, the following:

- (i) the historical transaction amounts under the agreements entered into between the Group and Beijing Information in relation to Services II;
- (ii) the transaction amounts in respect of the transactions to be completed under the agreements entered into between the Group and Beijing Information in relation to Services II;
- (iii) the estimated number of projects to be offered by the Group for the Group's procurement of Services II for the years ending 31 December 2022, 2023 and 2024; and
- (iv) the steady development of railway transportation in Beijing and the related civil communications services.

LETTER FROM THE BOARD

Settlement method

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

As disclosed in the Company's announcement dated 27 December 2019, the Group successfully renewed and continued the long-term strategic cooperation with three major telecommunication operators in the PRC. Pursuant to the cooperation arrangements, the Group will provide civil communications and information transmission services to the three major telecommunication operators in the PRC covering 12 railway lines and 131 railway stations for a term till December 2023. As such, while the Group is responsible for the provision of civil communications and information transmission services to its clients on a long-term basis, it is necessary to have on-going maintenance and fault repair services (i.e. Services II) from the downstream suppliers in place to ensure the Group's continuous fulfillment of its obligations under these long-term operation with the three major telecommunication operators in the PRC.

In view of confidentiality and sensitivity in assessing the railway intellectual system and operations, it is an industry practice that the railway operators will undertake, or designate subsidiaries or associated companies to undertake, the maintenance and fault repair services of the systems, equipment and facilities in relation to civil communications for its railway stations. In this connection, one of the shareholders of Beijing Information, namely Beijing Subway Operation, is the exclusive operator of certain railway lines in Beijing, designated Beijing Information (as an associate of Beijing Subway Operation) as an exclusive service provider in relation to the provision of Services II to the railway lines operated by Beijing Subway Operation. Accordingly, since Beijing Information is the exclusive service provider for the provision of Services II to cover the railway stations operated by Beijing Subway Operation, the procurement of Services II from Beijing Information is necessary and incidental to the Group's business operations.

On the other hand, the Group is a leading provider of civil communications transmission systems for subways with long-term strategic cooperation with three major telecommunication operators in the PRC, and with civil communications services covered in 22 metro line parts and 212 metro stations in Beijing in 2020. Beijing Information is also reliant and dependent on the Group for the procurement of Services II in view of the Group's leading position in the industry. The reliance between the Group and Beijing Information in relation to the provision of Services II is mutual and complementary. Moreover, given the mutual and complementary reliance, the Board believes that it is in the mutual interests of Beijing Information and the Group to continue the long-standing business relationship and therefore such business relationship is unlikely to be terminated or materially adversely changed.

LETTER FROM THE BOARD

4. OTHER PRINCIPAL TERMS UNDER THE CONTINUING CONNECTED TRANSACTIONS

Transaction principles

Pursuant to each of (i) the New BII Services Framework Agreement; and (ii) the Beijing Information Services Framework Agreement, the Group and BII, its subsidiaries and/or associates; and the Group and Beijing Information, its subsidiaries and/or associates, will enter into individual agreements in relation to the provision of Services I and Services II respectively, the terms of such individual agreements (including the service fees) 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 (i) the New BII Services Framework Agreement; and (ii) the Beijing Information 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;

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“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.

The New BII Services Framework Agreement

Most historical transactions between the Group and BII under the Former BII Services Framework Agreement adopted the third price determination method as set out above (i.e. through tender process or the market price adopted through participation in tenders). The remaining historical transactions under the Former BII Services Framework Agreement adopted the fourth price determination method as set out above (i.e. the cost-plus pricing).

As BII is a state-owned enterprise and the projects involving the provision of Services I from the Group would be public service projects, it is normal market practice for BII to undergo tendering process for the selection of suppliers. According to the “Regulation on Construction Projects which must be Open for Bidding” (必須招標的工程項目規定) promulgated by the National Development and Reform Commission of the PRC in 2018, if the construction projects are funded by state-owned capital with the value of an individual contract above RMB4 million, these construction projects which fulfil certain criteria should adopt tendering process for procurement of materials or services. As such, as a state-owned enterprise to undertake public service projects, the construction projects to be offered from BII, its subsidiaries and/or associates under the New BII Services Framework Agreement shall be required to undergo tendering process, which falls to be the third price determination method as set out above and is consistent with the major pricing basis for historical transactions under the Former BII Services Framework Agreement. Through securing projects by competitive tender, the tendering process shall reflect fair and competitive pricing in order to obtain the relevant public service projects.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, BII was established and designated by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality to manage the railway transportation investment and construction in Beijing. There are no similar customers in the market for the procurement of Services I to cover the railway lines managed by BII. Although terms to or from independent third parties in relation to Services I are not available for comparison, pursuant to the New BII Services Framework Agreement, the terms of individual agreements (including the service fees) to be entered into under the New BII Services Framework Agreement 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.

The Beijing Information Services Framework Agreement

The Group and Beijing Information had historically adopted and is expected to continue to adopt the fourth price determination method as set out above (i.e. through cost-plus pricing) in relation to the provision of Services II. As mentioned above, Beijing Information was designated as an exclusive service provider in relation to the provision of Services II to the railway lines operated by Beijing Subway Operation. In other words, there are no similar service suppliers in the market for the provision of Services II to cover the railway lines operated by Beijing Subway Operation. Accordingly, it is not practicable to adopt open tender in the selection of suppliers for the procurement of Services II under the Beijing Information Services Framework Agreement.

Although the Group did not procure services similar to Services II from independent third-party suppliers, the Group has established an independent review procedure for the procurement of Services II under the Beijing Information Services Framework Agreement. The Group would assess the pricing of Services II based on, among others, the historical transaction prices with Beijing Information, the scope and complexity of services and the number of railway stations covered. As the procurement of Services II is primarily demand driven to support the Group's provision of civil communications transmission services, the Group will assess the cost of Services II from Beijing Information with reference to the engagement from the upstream customers to ensure that the project undertaken by the Group will be profitable. In addition, although terms to or from independent third parties in relation to Services II are not available for comparison, pursuant to the Beijing Information Services Framework Agreement, the terms of individual agreements (including the service fees) to be entered into under the Beijing Information Services Framework Agreement 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.

5. 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 communications 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 Latest Practicable Date. BII held approximately 55.20% 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.

Beijing Information

Beijing Information is a company established in the PRC and approximately 48.39% and 51.61% of its equity interests are held by Beijing Subway Operation and Beikong Telecom as at the Latest Practicable Date. Beikong Telecom is ultimately beneficially owned by Mr. Cao, an executive Director and the vice chairman of the Company. To the best of the Directors’ knowledge, information and belief, Beijing Information is principally engaged in the provision of technical and maintenance services in relation to civil communications in railway transportation, sale of electricity and the provision of energy services.

LETTER FROM THE BOARD

6. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

Given that Services I and Services II are in the existing principal business activities of the Group, which include but not limited to providing hardware and software products and services in the intelligent railway transportation business and civil communications services, the transactions contemplated under each of the New BII Services Framework Agreement and BII Information 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 associates and the Group, the Directors consider BII, its subsidiaries and/or associate are reliable business partners and further business cooperation will be beneficial to and provide a steady income stream to the Group.

Further, as there has been a long-standing business relationship between Beijing Information, its subsidiaries and/or associates and the Group, the Directors also consider Beijing Information, its subsidiaries and/or associates are reliable business partners and further business cooperation will be beneficial to the steady growth of 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 transactions contemplated under each of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement will be conducted in the ordinary and usual course of business of the Group;
- (ii) the terms and conditions of each of the BII Services Framework Agreement and the Beijing Information Services Framework Agreement were negotiated among the parties on an arm's length basis and are normal commercial terms that are fair and reasonable;
- (iii) the respective proposed annual caps in respect of the transactions contemplated under each of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement for the years ending 31 December 2022, 2023 and 2024 are fair and reasonable; and
- (iv) the transactions contemplated under each of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

7. INTERNAL CONTROL MEASURES

To ensure that (i) the terms of the transactions and the pricing mechanisms under the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement are fair and open; (ii) the proposed annual caps will not be exceeded; and (iii) the transactions are conducted in accordance with the requirements under the Listing Rules, the Group adopted a policy regarding the management of continuing connected transactions, which was formulated pursuant to the actual day-to-day business operations of the Group and the relevant requirements, laws and regulations including the Listing Rules and the articles of association of the Company. The policy will ensure compliance of the Listing Rules regarding continuing connected transactions of the Group under (i) the New BII Services Framework Agreement; and (ii) the Beijing Information Services Framework Agreement through strict requirements and measures in relation to identification of connected persons and connected transactions, internal review and approval procedures of connected transactions, monitoring disclosure requirements under the Listing Rules, and supervision, management and disclosure of connected transactions.

Set out below is a summary of the internal control measures of the Group to ensure (i) Services I provided by the Company under the New BII Services Framework Agreement; and (ii) Services II procured by the Company under the Beijing Information Services Framework Agreement are (a) on normal commercial terms; and (b) in accordance with the respective terms of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement:

1. when possible connected transaction arises during the course of business of the Group which falls under the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement, relevant staff will report to the finance department and the legal department of the Group regarding the details of the connected party and the possible transaction with such connected party;
2. the business department of the Group will prepare an estimate of costs and price of the possible connected transaction based on the relevant rules and regulations announced by the government and/or the industry association(s), as well as the market price which is expected to be payable by independent third party in respect of the provision of similar services by the Group;
3. based on the information of the possible connected transaction and the estimates of the costs and price, the business management department, business department, finance department, legal department and the Company's external advisers will review and confirm the terms of the possible connected transaction, including but not limited to whether the terms and price are fair and reasonable, and the settlement terms and compliance matters;

LETTER FROM THE BOARD

4. if the possible connected transaction is approved by the internal departments of the Group, the management of the Group will consider the possible connected transaction based on the internal assessment results, and approve/reject the transaction;
5. if the possible connected transaction is approved by the management of the Group, the finance department and the legal department of the Group will continuously monitor the performance of the transaction to ensure that the transaction falls within the terms of (i) the New BII Services Framework Agreement and (ii) the Beijing Information Services Framework Agreement;
6. the designated staff from the finance department of the Group will closely monitor the respective total transaction amount of the transactions conducted under the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement to ensure that the respective proposed annual caps will not be exceeded;
7. in the event that the respective total transaction amount of the transactions conducted under the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement incurred or to be incurred is expected to reach or exceed the respective proposed annual caps, the finance department of the Company will follow-up by reporting to the senior management of the Company, and in case any revision of the proposed annual caps is required, the Company will take necessary actions in compliance with the requirements under the Listing Rules; and
8. the connected transaction of the Group will also be subject to annual review by the independent non-executive Directors and auditors in accordance with the Listing Rules.

8. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, BII held approximately 55.20% of the Shares (i.e. 1,157,634,900 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 New BII Services Framework Agreement would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, approximately 51.61% of the existing equity interests of Beijing Information is owned by Beikong Telecom, which is ultimately and beneficially owned by Mr. Cao, an executive Director and the vice chairman of the Company. Accordingly, Beijing Information is an associate of Mr. Cao, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Beijing Information Services Framework Agreement would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As certain applicable percentage ratios of the transactions contemplated under each of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement are more than 5% and the annual caps in respect of the transactions contemplated under each of the New BII Services Framework Agreement and the Beijing Information 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 approval from (i) the BII Independent Shareholders for the transactions contemplated under the New BII Services Framework Agreement and the related proposed annual caps for the years ending 31 December 2022, 2023 and 2024 at the EGM; and (ii) the Beijing Information Independent Shareholders for the transactions contemplated under the Beijing Information Services Framework Agreement and the related proposed annual caps for the years ending 31 December 2022, 2023 and 2024 at the EGM.

As at the Latest Practicable Date, Mr. Zhang Yanyou, a non-executive Director and the chairman of the Board, is the chairman of the board of directors of BII. Mr. Guan Jifa, a non-executive Director, is the vice general manager of BII. Mr. Zheng Yi, a non-executive Director, is the assistant to the general manager of BII, and the general manager of the planning and design department and railway project management department of BII. Ms. Gu Xiaohui, a non-executive Director, is the assistant to the general manager of the investment and development department of BII. Accordingly, each of Mr. Zhang Yanyou, Mr. Guan Jifa, Mr. Zheng Yi and Ms. Gu Xiaohui is considered to have a material interest in the transactions contemplated under the New BII Services Framework Agreement by virtue of their management positions held in BII respectively, and had abstained from voting on the board resolution(s) approving the transactions contemplated under the New BII Services Framework Agreement. Save as disclosed above, none of the Directors has abstained from voting on the board resolution(s) approving the transactions contemplated under the New BII Services Framework Agreement.

As at the Latest Practicable Date, Mr. Cao, an executive Director and the vice chairman of the Company, is the ultimate beneficial owner of Beijing Information. Accordingly, Mr. Cao is considered to have a material interest in the transactions contemplated under the Beijing Information Services Framework Agreement by virtue of his interest in Beijing Information, and had abstained from voting on the board resolution(s) approving the transactions contemplated under the Beijing Information Services Framework Agreement. Save as disclosed above, none of the Directors has abstained from voting on the board resolution(s) approving the transactions contemplated under the Beijing Information Services Framework Agreement.

LETTER FROM THE BOARD

9. REMEDIAL ACTIONS

The Company deeply regrets for its non-compliance with the Listing Rules and the Company would like to stress that with the Company's effective internal control procedures, such noncompliance was due to the failure of Mr. Cao to timely notify the Company and his failure to make relevant disclosure in the Letter of Disclosure of his acquisition of interests in Beikong Telecom, thereby making Beijing Information his associate and changing the then existing transactions with Beijing Information into continuing connected transactions. The Company had no intention whatsoever to withhold any information in relation to the Non-compliance CCTs from disclosure.

To prevent the reoccurrence of similar incidents of non-compliance with the Listing Rules as disclosed in this circular, the Company has adopted the following measures:

- (a) the Company has reminded its responsible staff and management of the treatment of the transactions entered into between the Group and any connected persons of the Group under the Listing Rules to avoid delay in disclosure in the future should such obligations arise. Apart from the annual training provided to all the Directors and senior management of the Company, the Company will also offer extra trainings to the responsible staff, management and the Directors, in particular to Mr. Cao, relating to connected transactions and other responsibilities under the Listing Rules in order to strengthen and reinforce their existing knowledge as well as their ability to identify potential issues at an early stage;
- (b) the Company will circulate the list of connected persons that the Company has been maintaining and continuously updating during annual and interim audit, together with copies of the relevant extracts of the Listing Rules to all the connected persons at the Company level and subsidiary levels for review and any update(s). Such list of connected persons shall be updated and reviewed half-yearly. Whenever there is a change in the list of connected persons of the Company, such change(s) must be reported to the Company and be updated in the list of connected persons immediately;
- (c) for the existing transactions that the Company has entered into, in addition to the Company's existing internal reporting mechanism, the Company will continue to confirm if there is any change in the equity holding information of the counterparty(ies) and update such change(s) (if any) half-yearly;
- (d) for any proposed transaction(s) in the future, the Company will review the corporate and equity holding information of the counterparty(ies) on the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統), and cross-check against the list of connected persons in advance in order to ascertain whether there will be any implications under the Listing Rules;

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- (e) the Company will work more closely with its external advisers on compliance issues and, if appropriate and necessary, consult the Stock Exchange on the proper treatment of a proposed transaction; and
- (f) the Company will strengthen the coordination and reporting arrangements for connected transactions among various departments of the Company to ensure due compliance of the Listing Rules. Prior to entering into any potential connected transactions in the future where disclosure threshold is met, the relevant departments will be notified and the relevant draft agreements will be circulated across the responsible departments of the Company for cross-checking, in order to ensure compliance with the applicable requirements under the Listing Rules.

The Directors believe that the implementation of the above remedial measures will strengthen and reinforce the knowledge of the responsible staff, management and Directors in relation to connected transactions under the Listing Rules, improve the regulatory compliance abilities of the Company, and help prevent the reoccurrence of the similar incidents of non-compliance.

10. 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 (i) the BII Independent Shareholders in connection with the transactions contemplated under the New BII Services Framework Agreement and the related proposed annual caps; and (ii) the Beijing Information Independent Shareholders in connection with the transactions contemplated under the Beijing Information Services Framework Agreement and the related proposed annual caps. The Independent Board Committee has approved the appointment of Innovax Capital Limited as the Independent Financial Adviser to advise (i) the Independent Board Committee in connection with the transactions contemplated under each of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement, and their respective proposed annual caps; (ii) the BII Independent Shareholders in connection with the transactions contemplated under the New BII Services Framework Agreement and the related proposed annual caps; and (iii) the Beijing Information Independent Shareholders in connection with the transactions contemplated under the Beijing Information Services Framework Agreement and the related proposed annual caps.

11. THE EGM

The EGM will be held at Conference Room, 4/F., 4th Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People's Republic of China on Thursday, 3 March 2022 at 9:30 a.m., during which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve (i) the New BII Services Framework Agreement and the transactions contemplated thereunder and the related proposed annual caps; and (ii) the Beijing Information Services Framework Agreement

LETTER FROM THE BOARD

and the transactions contemplated thereunder and the related proposed annual caps by way of poll, the results of which will be announced after the EGM.

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than 9:30 a.m. on Tuesday, 1 March 2022 (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should the Shareholders so wish.

As at the Latest Practicable Date, BII held approximately 55.20% of the Shares (i.e. 1,157,634,900 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. BII HK and its associates, holding approximately 55.20% of the Shares (i.e. 1,157,634,900 Shares), will be required to abstain from voting on the resolution(s) to approve the New BII Services Framework Agreement and the transactions contemplated thereunder and the related proposed annual caps at the EGM.

As at the Latest Practicable Date, approximately 51.61% of the existing equity interests of Beijing Information is owned by Beikong Telecom, which is ultimately and beneficially owned by Mr. Cao, an executive Director and the vice chairman of the Company. Accordingly, Beijing Information is an associate of Mr. Cao, and is therefore a connected person of the Company under the Listing Rules. Mr. Cao and his associates, holding approximately 11.70% of the Shares (i.e. 245,457,815 Shares) will be required to abstain from voting on the resolution(s) to approve the Beijing Information Services Framework Agreement and the transactions contemplated thereunder and the related proposed annual caps 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 New BII Services Framework Agreement and the Beijing Information Services Framework Agreement, and the related proposed annual caps, and will be required to abstain from voting on the resolution(s) to approve the New BII Services Framework Agreement, the Beijing Information Services Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps at the EGM.

12. RECOMMENDATIONS

The Directors are of the opinion that the terms of (i) the New BII Services Framework Agreement and the related proposed annual caps; and (ii) the Beijing Information Services Framework Agreement and the related proposed annual caps, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and accordingly recommend the BII Independent Shareholders and the Beijing Information Independent Shareholders to vote in favour of the relevant resolution(s) proposed at the EGM.

LETTER FROM THE BOARD

An Independent Board Committee has been formed to advise (i) the BII Independent Shareholders in connection with the New BII Services Framework Agreement and the transactions contemplated thereunder and the related proposed annual caps; and (ii) the Beijing Information Independent Shareholders in connection with the Beijing Information Services Framework Agreement and the transactions contemplated thereunder and the related proposed annual caps, and Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee, the BII Independent Shareholders and the Beijing Information Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Adviser containing its recommendation in respect of (i) the New BII Services Framework Agreement and the transactions contemplated thereunder and the related proposed annual caps; and (ii) the Beijing Information Services Framework Agreement and the transactions contemplated thereunder and the related proposed annual caps are set out on pages 28 to 29 of this circular.

13. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 28 to 29 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee, the BII Independent Shareholders and the Beijing Information Independent Shareholders set out on pages 30 to 60 of this circular and the information set out in the appendix to this circular.

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

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the BII Independent Shareholders and the Beijing Information Independent Shareholders prepared for the purpose of inclusion in this circular.

京投轨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)

11 February 2022

To the BII Independent Shareholders and the Beijing Information Independent Shareholders

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 11 February 2022 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the terms of each of (i) the New BII Services Framework Agreement and the transactions contemplated thereunder and the related proposed annual caps; and (ii) the Beijing Information Services Framework Agreement and the transactions contemplated thereunder and the related proposed annual caps, are fair and reasonable so far as the BII Independent Shareholders and the Beijing Information Independent Shareholders are concerned. Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise us, the BII Independent Shareholders and the Beijing Information Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 30 to 60 of the Circular. Your attention is also drawn to the “Letter from the Board” of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of each of (i) the New BII Services Framework Agreement and the transactions contemplated thereunder; and (ii) the Beijing Information Services Framework Agreement and the transactions contemplated thereunder, and the advice of the Independent Financial Adviser, we consider that (i) the New BII Services Framework Agreement and the transactions contemplated thereunder; and (ii) the Beijing Information Services Framework and the transactions contemplated thereunder, are in the ordinary and usual course of business and are entered into on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We are also of the opinion that the related proposed annual caps under each of (i) the New BII Services Framework Agreement; and (ii) the Beijing Information Services Framework Agreement are fair and reasonable so far as the Shareholders (including the BII Independent Shareholders and the Beijing Information Independent Shareholders) are concerned. Accordingly, we recommend the BII Independent Shareholders and the Beijing Information Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve (i) the New BII Services Framework Agreement and the transactions contemplated thereunder and the related proposed annual caps; and (ii) the Beijing Information Framework Agreement and the transactions contemplated thereunder and the related proposed annual caps.

Yours faithfully,

For and on behalf of

The Independent Board Committee of

BII Railway Transportation Technology Holdings Company Limited

Mr. Bai Jinrong

*Independent non-executive
Director*

Mr. Luo Zhenbang

*Independent non-executive
Director*

Mr. Huang Lixin

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a letter of advice from the Independent Financial Adviser, Innovax Capital Limited, to the Independent Board Committee, the BII Independent Shareholders and the Beijing Information Independent Shareholders, which has been prepared for the purpose of inclusion in this Circular.



11 February 2022

To the Independent Board Committee, the BII Independent Shareholders and the Beijing Information Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS (I) THE NEW BII SERVICES FRAMEWORK AGREEMENT; AND (II) THE BEIJING INFORMATION SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise (i) the Independent Board Committee and the BII Independent Shareholders in respect of the transactions contemplated under the New BII Services Framework Agreement and the related proposed annual caps (the “**BII Transactions**”); and (ii) the Independent Board Committee and the Beijing Information Independent Shareholders in respect of the transactions contemplated under the Beijing Information Services Framework Agreement and the related proposed annual caps (the “**Beijing Information Transactions**”) (together with the BII Transactions, the “**Continuing Connected Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 11 February 2022 (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 2 August 2019 and the circular of the Company dated 29 August 2019 in relation to, among others, the Former BII Services Framework Agreement. The Former BII Services Framework Agreement was entered into between the Company and BII on 2 August 2019 in relation to the provision of the Services I (i.e. including but not limited to the consultation and technical support services, information technology support services and technology services) by the Company to BII during the term commencing from 1 July 2019 to 31 December 2021. As the term of the Former BII Services Framework Agreement expired on 31 December 2021 and the Group is contemplating to continue the provision of the Services I to BII, its subsidiaries and/or associates, the Company and BII entered into the New BII Services Framework Agreement on 17 December 2021 to renew the term of the Former BII Services Framework Agreement. Pursuant to the New BII Services Framework Agreement, the Group would provide the Services I to BII, its subsidiaries and/or associates for the period from 1 January 2022 to 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the same date, the Company also entered into the Beijing Information Services Framework Agreement with Beijing Information, pursuant to which Beijing Information, its subsidiaries and/or associates would provide the Group with the Services II (i.e. including but not limited to the maintenance, fault repair, expansion and upgrade services of the systems, equipment and facilities in relation to civil communications) for the period from 1 January 2022 to 31 December 2024.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, BII held approximately 55.20% of the Shares (i.e. 1,157,634,900 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 BII Transactions would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, approximately 51.61% of the existing equity interests of Beijing Information is owned by Beikong Telecom, which is ultimately and beneficially owned by Mr. Cao, an executive Director and the vice chairman of the Company. Accordingly, Beijing Information is an associate of Mr. Cao, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the Beijing Information Transactions would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios of the BII Transactions and the Beijing Information Transactions are more than 5% and their respective annual caps 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 approval from (i) the BII Independent Shareholders for the BII Transactions, including the related proposed annual caps for the years ending 31 December 2022, 2023 and 2024 at the EGM; and (ii) Beijing Information Independent Shareholders for the Beijing Information Transactions, including the related proposed annual caps for the years ending 31 December 2022, 2023 and 2024 at the EGM.

THE INDEPENDENT BOARD COMMITTEE

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 (i) the BII Independent Shareholders in connection with the BII Transactions; and (ii) Beijing Information Independent Shareholders in connection with the Beijing Information Transactions. As the Independent Financial Adviser, we have been appointed by the Company to give an independent opinion to the Independent Board Committee, BII Independent Shareholders and Beijing Information Independent Shareholders in such regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or were not associated or connected with the Group, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, (i) we did not have any relationship with the Group, their respective substantial or controlling shareholders or any party acting in concert with any of them that could reasonably be regarded as relevant to our independence; and (ii) there were no other engagements between the Group and Innovax Capital Limited or the parties acting in concert with it and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Group, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in respect of the Continuing Connected Transactions.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, the BII Independent Shareholders and the Beijing Information Independent Shareholders, we have reviewed, amongst others, the annual reports of the Company for the year ended 2020 (the “**2020 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”). We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, the Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations not contained in the Circular, the omission of which would make any statement in the Circular misleading.

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We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Continuing Connected Transactions, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Continuing Connected Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1 Background information of the Group

1.1 Principal activities of 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 communications 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.

The major customers of the Group consist of (i) railway operators and contractors, including BII and other large-scale operators responsible for the development of subway, railway and high-speed rail infrastructure in different cities of the PRC; and (ii) major telecommunication operators for the construction and maintenance of civil communications transmission systems in subway and railway stations.

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1.2 Historical financial information of the Group

Set out below is a summary of the consolidated statement of profit or loss of the Group for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021 as extracted from the 2020 Annual Report and 2021 Interim Report.

	For the year ended		For the six months	
	31 December		ended 30 June	
	2019	2020	2020	2021
	("FY2019")	("FY2020")	("6M FY2020")	("6M FY2021")
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	HKD'000	HKD'000	HKD'000	HKD'000
Revenue	1,193,937	1,549,976	530,060	518,272
Gross profit	424,779	615,259	222,620	230,616
Profit for the year/period	110,483	183,792	34,860	77,852
Profit attributable to the Shareholders	96,870	168,407	32,741	80,021

In FY2020, the Group recorded revenue of approximately HK\$1,550.0 million, representing an increase of approximately HK\$356.0 million or 29.8% from FY2019. The growth in revenue was mainly attributed to (i) the expansion of the Group's projects of Zhengzhou Metro Line 4, Hebei Jingche Railway Transportation Vehicle Equipment, Taiyuan Metro Line 2, Fuzhou Metro Line 6 and Urumqi Metro Line 1; and (ii) the consolidation of revenue with full-year effect in FY2020 as a result of the Group's acquisition of 95% equity interest in Suzhou Huaqi Intelligent Technology Co., Ltd.* (蘇州華啟智能科技有限公司) and 51% equity interests in Litmus Technologies (Beijing) Co., Ltd.* (北京樂碼仕智能科技有限公司) in March and December 2019, respectively. The Group's gross profit increased by approximately HK\$190.5 million or 44.8% in FY2020, while profit attributable to the Shareholders increased by approximately HK\$71.5 million or 73.8% in the year, mainly due to a rise in its business volume as a result of the expansion of new projects. As at 31 December 2020, the Group's businesses covered a total of 47 cities (including Hong Kong) in the PRC and 15 cities in nine overseas countries. The Group's aggregate contract amount of orders on hand was approximately HK\$2.1 billion as at 31 December 2020.

In 6M FY2021, the Group recorded revenue of approximately HK\$518.3 million, representing a slight decrease of approximately HK\$11.8 million or 2.2% as compared to that of 6M FY2020. The decrease in revenue was mainly attributed to the slight delay of progress of individual projects, which resulted in slower recognition of revenue from some projects under construction. Notwithstanding the decrease in revenue, the gross profit increased by approximately HK\$8.0 million or 3.6% in 6M FY2021 as compared to 6M FY2020 due to the increase in gross profit margin in 4G civil communications services in the infrastructure information sector. The profit attributable to the Shareholders recorded an increase of approximately

HK\$47.3 million or 144.4% in 6M FY2021 as compared to 6M FY2020 due to the increase in gross profit as mentioned above and the share of results of joint ventures and associates of approximately HK\$41.8 million for the period. As at 30 June 2021, the Group's contract amount of orders on hand amounted to approximately HK\$2.7 billion, representing a growth of approximately HK\$0.6 billion from approximately HK\$2.1 billion as at the end of 2020. In terms of market expansion, the Group expanded its footprints to an additional city in the PRC, namely Nagqu in Tibet, and three overseas cities. As at 30 June 2021, the Group's businesses covered a total of 48 cities (including Hong Kong) in the PRC and 18 overseas cities in 10 countries and regions.

2 New BII Services Framework Agreement

2.1 Information of BII

As disclosed in the Letter from the Board, BII is a company established in the PRC with limited liability and directly administered by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. 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.

According to the website of BII, the total assets and net assets of BII amounted to approximately RMB707.4 billion and approximately RMB251.4 billion as at 31 December 2020, respectively. The investment of public service projects completed by BII in 2020 amounted to approximately RMB67.7 billion and its profit attributable to owners of parent for the year ended 31 December 2020 amounted to approximately RMB2.7 billion.

2.2 Reasons for and benefits of entering into the New BII Services Framework Agreement

As stated in the Letter from the Board, given that the provision of the Services I is in the existing principal business activities of the Group, which include but not limited to providing hardware and software products and services in the intelligent railway transportation business, the BII Transactions will be conducted in the ordinary and usual course of business of the Group. As (i) BII has been the ultimate controlling Shareholder; and (ii) there has been a long-standing business relationship between BII, its subsidiaries and/or associates and the Group, the Directors consider BII, its subsidiaries and/or associate are reliable business partners and further business cooperation will be beneficial to and provide a steady income stream to the Group.

According to the 2021 Interim Report, the Group would adhere to the established strategies to develop intelligent rail transit and infrastructure information businesses, in a bid to enhance its core competitiveness. It will continue to deepen the market strategy of "relying on Beijing, expanding across the country,

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and making presence in international markets". As advised by the Management, while the Group is implementing the long-term goal towards extending its market presence, it will continue to build on the industry experience, expand the customer base and consolidate the market position in Beijing. The Group aims to focus on the development of rail transit sector in key regions, such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. Therefore, the BII Transactions are in line with the Group's business strategy.

According to the Management, the Group commenced business relationship with BII, its subsidiaries and/or associates since 2011 in respect of the transactions similar to the BII Transactions. The Group has been providing various intelligent rail transit services, such as transportation system consultation, technical support services and maintenance services to BII, its subsidiaries and/or associates for the transit rail network developed by BII in Beijing. In addition, BII is wholly-owned by State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality and was established to manage the railway transportation investment and construction in Beijing. As a state-owned enterprise, BII is expected to continue to undertake the on-going projects of transit rail network in Beijing. As such, the BII Transactions will facilitate the Group's business expansion and provide a steady income stream to the Group.

Taking into account that (i) the BII Transactions are in line with the existing business activities of the Group; (ii) there has been a long-standing business relationship between the Group and BII for transactions similar to the BII Transactions; (iii) BII is a state-owned enterprise established to manage the railway transportation investment and construction in Beijing; and (iv) the BII Transactions will facilitate the Group's business expansion and provide a steady income stream to the Group, we are of the view that the entering into of the New BII Services Framework Agreement is within the ordinary and usual course of business of the Group and in the interests of the Company and the BII Independent Shareholders as a whole.

2.3 Principal terms of the New BII Services Framework Agreement

According to the Letter from the Board, the principal terms of the New BII Services Framework Agreement are set out as follows.

Date:	17 December 2021
Parties:	(i) The Company; and (ii) BII
Term:	Subject to the fulfilment of the conditions precedent, the New BII Services Framework Agreement shall be effective between 1 January 2022 and 31 December 2024.

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The term of the New BII Services Framework Agreement is set to three years in order to be consistent with the financial year ends of the Company in 2022, 2023 and 2024.

Provision of
Services I:

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

Transaction
principles:

Pursuant to the New BII Services Framework Agreement, the Group and BII, its subsidiaries and/or associates will enter into individual agreements for the provision of Services I, the terms of such individual agreements (including the service fees) 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 New BII Services Framework Agreement, the price of the transactions contemplated thereunder will be determined as follows:

(i) 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;

(ii) 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;

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“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;

- (iii) 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

- (iv) 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.

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Settlement method: The service fee shall be paid by BII, its respective 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 New BII Services Framework Agreement.

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

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

In assessing the terms of the New BII Services Framework Agreement, we have reviewed and compared the terms with those of the Former BII Services Framework Agreement, and noted that the transaction terms, including the pricing principles and settlement method, of the New BII Services Framework Agreement are consistent with those of the Former BII Services Framework Agreement, which was approved by the then independent shareholders of the Company on 18 September 2019.

As disclosed in the Letter from the Board, most historical transactions between the Group and BII under the Former BII Services Framework Agreement adopted the third price determination method as set out above (i.e. through tender process or the market price adopted through participation in tenders). The remaining historical transactions under the Former BII Services Framework Agreement adopted the fourth price determination method as set out above (i.e. the cost-plus pricing). As further disclosed in the Letter from the Board, to the best of the Directors' knowledge, information and belief, BII was established and designated by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality to manage the railway transportation investment and construction in Beijing. There are no similar customers in the market for the procurement of the Services I to cover the railway lines managed by BII. Although terms to or from independent third parties in relation to the Services I to cover the railway lines managed by BII are not available for comparison, pursuant to the New BII Services Framework Agreement, the terms of individual agreements (including the service fees) to be entered into under the New BII Services Framework Agreement 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 of the Group.

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In determining suitable pricing basis for transactions with BII under the New BII Services Framework Agreement, we have discussed with the Management and understood that as BII is a state-owned enterprise and the projects involving the provision of the Services I from the Group would be public service projects, it is a normal market practice for BII to undergo tendering process for the selection of suppliers. According to the “Regulation on Construction Projects which must be Open for Bidding” (必須招標的工程項目規定) promulgated by the National Development and Reform Commission of the PRC in 2018, if the construction projects are funded by state-owned capital with the value of an individual contract above RMB4 million, these construction projects which fulfil certain criteria should adopt tendering process for procurement of materials or services. As such, as a state-owned enterprise to undertake public service projects, the construction projects to be offered from BII, its subsidiaries and/or associates under the New BII Services Framework Agreement shall require to undergo tendering process, which falls to be the third price determination method as set out above and is consistent with the major pricing basis for historical transactions under the Former BII Services Framework Agreement. We believe that through securing projects by competitive tender, the tendering process shall reflect fair and competitive pricing in order to obtain the relevant public service projects.

Further, although there are no similar customers in the market for the procurement of the Services I to cover the railway lines managed by BII in Beijing, the Group has provided similar types of services to independent third-party customers to cover railway lines operated by other railway operators in other cities of the PRC. The Management confirmed that the Group have maintained a systematic tender review procedure to review the feasibility and profitability of the potential tender to be submitted and such tender review procedure applies to the potential projects from BII and independent third-party customers. As such, we obtained and reviewed an internal guidance document as to the Group’s tendering process, which sets out the guidance on, among others, (i) initial assessment of tender opportunities; (ii) preparation and assessment of tender report and internal tender adjudication; and (iii) tender approval. We were also informed by the Management that the Group would determine tender pricing with reference to, among others, the prevailing market conditions, competition, estimated project cost, technical requirements, quantity specifications, project duration and associated risk factors. Upon completion of assessment and preparation, the tendering documents would be submitted to the relevant responsible senior management members for their approval. The relevant responsible senior management members would then assess the details and budget of the potential tender to ensure that the pricing terms would be competitive and no less favorable to the Group in order to ensure a fair possibility to secure the potential projects while maintaining a fair profitability for the Group. As advised by the Management, the relevant responsible senior management members, who participate in the Group’s tender review procedure, shall not be employees or directors of BII. Therefore, we consider that the Group has established independent tender review procedure for the potential projects from BII.

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In order to ascertain whether the tender review procedure has been implemented by the Group, we have obtained and reviewed two randomly selected sample tendering documents of the Group for the projects awarded by BII and an independent third-party customer, which are projects under similar types of services provided by the Group. Based on our review, we noted that (i) both tendering projects from BII and an independent third party customer undergo the same procedures for tender review; (ii) the relevant details of the tender, including but not limited to the background, project contract sum, breakdown of estimated project cost and gross profit margin were documented; and (iii) the tendering documents were submitted to the legal department and finance department for review; and (iv) the tendering documents were approved by the legal department, finance department and relevant responsible senior management members. We have further obtained and reviewed the corresponding contracts of the aforementioned projects, which evidenced that the Group obtained these projects by tender. Accordingly, no material deviation with the Group's tender review procedure was noted from the aforementioned sample tendering documents, and the Group has followed its tender review procedure for the tendering process of potential projects from BII and independent third-party customers. It is also noted that the above tender review procedures comply with the internal control measures adopted by the Group to govern the BII Transactions, details of which are disclosed in the section headed "4. Internal control measures of the Group" below.

Based on the foregoing and having considered that (i) the projects to be awarded by BII under the New BII Services Framework Agreement is expected to be subject to government regulations, which are required to adopt tendering process for the selection of suppliers from BII; (ii) the Group has adopted tender review procedure to ensure that the tender terms and pricing will be fair and competitive, which the Group's tender for potential projects from BII and independent third party customers would be based; (iii) the tender review procedure complies with the internal control measures adopted by the Group to govern the BII Transactions; and (iv) the terms of the BII Transactions will be negotiated by the parties at arm's length negotiations and on normal commercial terms, we are of the view that the terms of the New BII Services Framework Agreement are on normal commercial terms, fair and reasonable so far as the Company and the BII Independent Shareholders are concerned.

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2.4 Proposed annual caps for the BII Transactions (the “Proposed Annual Caps I”)

Set out below are the historical transaction amounts in respect of the transactions under the Former BII Services Framework Agreement for the six months ended 31 December 2019 and the two years ended 31 December 2020 and 2021 and the Proposed Annual Caps I for the three years ending 31 December 2024, respectively.

	For the six months ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
Annual caps (<i>RMB</i> 'million)	240	870	1,210	600	800	900
	(equivalent to HK\$293 million)	(equivalent to HK\$1,061 million)	(equivalent to HK\$1,476 million)	(equivalent to HK\$732 million)	(equivalent to HK\$976 million)	(equivalent to HK\$1,098 million)
Historical transaction amounts (<i>RMB</i> 'million)	64	126	62 ^{Note}	N/A	N/A	N/A
	(equivalent to HK\$78 million)	(equivalent to HK\$154 million)	(equivalent to HK\$76 million)			
Utilisation rate (%)	26.7	14.5	5.1 ^{Note}	N/A	N/A	N/A

Note: The historical transaction amounts and utilization rate are for the six months ended 30 June 2021. For illustrative purpose, the annualised transaction amount would be approximately RMB124 million, which represented an annualised utilization rate of approximately 10.2% for the year ended 31 December 2021.

Assessment of the Proposed Annual Caps I

As disclosed in the Letter from the Board, the Proposed Annual Caps I in respect of the BII Transactions for the three years ending 31 December 2024 are determined with reference to, among others, the following:

- (i) the historical transaction amounts in respect of the transactions contemplated under the Former BII Services Framework Agreement;
- (ii) the transaction amounts in respect of the transactions to be completed under the Former BII Services Framework Agreement;
- (iii) the estimated number of projects for the provision of the Services I to be offered by BII, its subsidiaries and/or associates for tender for the years ending 31 December 2022, 2023 and 2024;
- (iv) the favorable development outlook of the railway transportation industry in the PRC for the next three years, which provides more

market opportunities for the Group to leverage its capabilities in the provision of the Services I to BII, including but not limited to the following factors:

- (1) the optimisation of the policies in relation to the railway transportation industry in the PRC, including a series of high-precision industrial policies successively promulgated, such as the outline for “Made in China 2025” (《中國製造2025綱要》), the “Outline for the Construction of Nation with Strong Transportation System” (《交通強國建設綱要》), the “Outline for the Development of Intelligent Urban Rail Transit in China’s Urban Rail Transit” (《中國城市軌道交通智慧城市軌發展綱要》) and the “National Comprehensive Three-dimensional Transportation Network Planning Outline” (《國家綜合立體交通規劃綱要》), all of which provides a favourable political environment for the Group’s business development;
- (2) as intercity high-speed railway and railway transportation play an important part of China’s plan for new infrastructure, the Group expects that the investment scale of the railway transportation industry in the PRC will continue to expand in the future, in particular, (i) investment in railways in the PRC is expected to remain at a high level of about RMB800 billion per year; (ii) the average annual investment in city railway transportation is expected to exceed RMB800 billion, with a growth rate at approximately 9% per year; and (iii) the scale of the information system market in railway transportation will also continue to expand; and
- (3) Beijing’s 14th Five-Year Plan (《北京「十四五」規劃綱要》) clearly stated that intelligent and efficient transportation services will be provided in future, where (i) the total operating mileage of railways in Beijing is expected to reach 1,600 km, and the total suburban railway mileage is expected to reach 600 km in 2025; and (ii) “the Coordinated Development of Beijing-Tianjin-Hebei” (京津冀協同發展) will continue to be promoted, all of which will create a favourable environment for the Group’s business development; and
- (v) the Group’s two core businesses, namely the intelligent railway transportation business and the infrastructure information business, have gradually expanded, in particular, businesses in relation to intelligent operation and maintenance, information security, intelligent construction management, intelligent community and intelligent parks, have gradually been developed, which will contribute to the Group’s revenue progressively in the future.

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In assessing the fairness and reasonableness of the Proposed Annual Caps I, we have discussed with the Management as to the bases and assumptions in determining the Proposed Annual Caps I. We were advised that the Management determined the transaction amounts for the Services I to be provided to BII, its subsidiaries and/or associates with reference to (i) the outstanding contract sum of the current projects which were awarded from BII; and (ii) the contract sum of potential projects open for tender during the three years ending 31 December 2024, respectively. The Management confirmed that the outstanding contract of the current projects awarded from BII amounted to approximately RMB270 million as at 31 August 2021, which is expected to be recognized as revenue of the Group during the coming years. Such outstanding contract of the current projects represented approximately 11.7% of the aggregated amount of the Proposed Annual Caps I. The remaining portion of the Proposed Annual Caps I is expected to be attributable to the potential projects that may be awarded from BII. While BII is a state-owned enterprise designated to undertake public service projects for the construction, development and management of rail transit infrastructure system in Beijing, the Group had conducted initial assessment on the availability of potential projects to be undertaken by BII upon discussions with BII and the government's plan on the development of city railway transportation in Beijing and other regions in the near future.

According 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)) adopted in 2015 and the subsequent "Adjustment Scheme for Second-phase Construction Plan of Beijing's Urban Rail Network" (關於調整北京市城市軌道交通第二期建設規劃方案的批覆) in 2019 approved by the National Development and Reform Commission of the PRC, the Chinese government will continue to invest in the development of major railway lines in Beijing, including the continuous development of New Airport Line, Line 22 (Pinggu Line), Line 28 (Central Business District Line), Line 11 (South Extension) and Line 13. According to the policy document, the expected investment for the development of the aforementioned five railway lines amounts to approximately RMB137.4 billion in aggregate. Also, according to the "Made in China 2025" (《中國製造2025綱要》) announced by the Chinese government in 2021, the advanced railway transportation equipment field is listed as one of the top 10 key fields in the PRC. In view of the aforementioned numerous favorable government policies, it is expected that the Chinese government will push forward with equipment and technology upgrading in railway system, which allows the Group to leverage its capabilities in the provision of the Services I to BII for its gradual upgrade of railway system in the PRC. Taking into account the Group's strategic position and its track record in undertaking large-scale public service projects, the continuous expansion and development of railway line construction will result in business opportunities and potential projects which may be awarded from BII to the Group.

In addition, according to the 2020 Annual Report, the Group will keep focusing on the development of network-level traffic control centre and line-level core systems of the intelligent railway transportation. It will improve information systems integration and facilitate the implementation of large projects, in order to

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gradually develop stable integrated technology and product solutions. The Group has also demonstrated its capabilities in undertaking large-scale public service projects, including but not limited to the major railway lines in Beijing and other cities such as Taiyuan, Shaoxing, Harbin, Jiaying, Handan and Zhuzhou in the PRC. As at 30 June 2021, the Group's businesses covered a total of 48 cities (including Hong Kong) in the PRC and 18 overseas cities in 10 countries and regions. While the Group has a long-standing business relationship with BII for undertaking large-scale government railway projects, it is believed that the Group possesses relevant experiences and capabilities to continue to source potential projects from BII.

In assessing the pipeline of upcoming projects that may be awarded by BII, we have obtained and reviewed a full list of potential project pipeline that may be awarded from BII, which the Management has based upon in determining the Proposed Annual Caps I. We were informed by the Management that the list of potential project pipeline was assessed based on the expected projects which will be offered from BII by way of open tender for the years ending 31 December 2022, 2023 and 2024, respectively. We noted from the potential project pipeline that the total aggregated contract value attributable to these potential projects from BII amounts to approximately RMB3,381 million (equivalent to approximately HK\$4,125 million), which represented approximately 147.0% of the aggregated amount of the Proposed Annual Caps I of RMB2,300 million (equivalent to approximately HK\$2,806 million). We also noted that the potential project pipeline is mainly related to:

(a) *Daily operation and maintenance*

As part of the Group's principal business, the Group will continue to provide services of information centre operation and maintenance, mainframe network operation and maintenance, integrated management and control operation and maintenance for railway system. The daily operation and maintenance projects are primarily recurring in nature, which the Group had provided these services to BII, its subsidiaries and associates in the past. Based on the estimation of six potential projects of this type, the total contract sum is estimated to be approximately RMB226 million (equivalent to approximately HK\$276 million).

(b) *Projects in Beijing*

While BII will continue to develop the railway system in Beijing in accordance with the government policies, the potential projects in Beijing represent the Group's largest proportion of project pipeline that may be awarded from BII. The major potential projects are attributable to Line 22 (Pinggu Line), Line 28 (Central Business District Line) and Line 13 in Beijing, which are consistent with the aforementioned government plan as set out in the "Adjustment Scheme for Second-phase Construction Plan of Beijing's Urban Rail Network" (關於調整北京市城市軌道交通第二期建設規劃方案的批覆) in 2019 approved by the National Development and Reform Commission of the PRC.

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Other than the development and expansion of railway system, the Group will utilise its expertise in intelligent technology of urban railway transportation to provide civil communications transmission services to BII, its subsidiaries and associates. Based on the estimation of 55 potential projects of this type, the total contract sum is estimated to be approximately RMB3,068 million (equivalent to approximately HK\$3,743 million).

(c) *Projects outside Beijing*

To support the expansion of BII into cities other than Beijing, the Group will cooperate with BII for potential projects, including the public-private-partnership projects in Urumqi and Xian of the PRC. Based on the estimation of five potential projects of this type, the total contract sum is estimated to be approximately RMB87 million (equivalent to approximately HK\$106 million).

The above estimated total contract sum for the potential projects that may be awarded by BII was determined based on the Group's initial assessment on the availability of potential projects to be undertaken by BII, which is in turn assessed based on discussions with BII and with reference to the scale and technical requirements of these projects.

Although we noted that the utilisation rate of the annual caps relating to the Former BII Services Framework Agreement was relatively low at approximately 26.7%, 14.5% and 5.1% for the six months ended 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021, respectively, we have discussed with the Management as to the reasons for such low level of utilisation. We were informed by the Management that while the Group only estimated the project pipeline based on the availability of open tender directly from BII which would be counted in the transaction amounts under the annual caps, there were occasions that BII might appoint other independent main contractors for their projects and these contractors would further engage the Group as subcontractors in these projects. In this case, the transaction amount of these projects would not be counted towards the transaction amount under the Former BII Services Framework Agreement, but the Group would still be involved in the projects undertaken by BII, its subsidiaries and/or associates. Also, we have enquired the Management and understood that it is a common practice to estimate the annual caps based on the potential projects to be offered for tender from BII as the bidding arrangements (i.e. whether the Group would be the main contractor or subcontractor) of most projects were unknown until the project details are close to finalisation. In this connection, it would be reasonable for the Group to assess the annual caps under the Former BII Services Framework Agreement and the Proposed Annual Caps I by considering the total contract sum of potential projects which are open for tender from BII. In addition, we also noted from the Company's circular dated 30 August 2019 that the utilisation rate of the annual caps for the framework agreement (i.e. the framework agreement precedent to the Former BII Services Framework Agreement) dated 11 May 2016 entered into between the Company and Beijing Metro Network Administration Co., Ltd.* (北京軌道交通路網管理有限公司) (being a subsidiary of BII) was approximately 17.8%, 40.7% and 10.9% for the years ended 30 June 2017,

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2018 and 2019, respectively, which indicated that the low utilisation rate of the Former BII Services Framework Agreement was not uncommon in view of the Group's historical transactions with BII, its subsidiaries and/or associates. Accordingly, we believe that the determination of the Proposed Annual Caps I with reference to the project pipeline of BII, which the Group is expected to tender, is reasonable for the Group's potential transactions with BII.

Having considered the above, we are of the view that the bases adopted by the Company in determining the Proposed Annual Caps I are fair and reasonable so far as the BII Independent Shareholders are concerned.

However, the BII Independent Shareholders should note that the Proposed Annual Caps I relates to the future event and it was made based on the best estimates by the Management with reference to the information currently available. The Proposed Annual Caps I bears no direct relationship to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance.

No material reliance on BII

As disclosed in the Letter from the Board, the transactions conducted under the Former BII Services Agreement contributed to approximately 12.5%, 10.0% and 14.6% of the total revenue of the Group for the six months ended 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021, respectively. The total operating mileage of railways in Beijing is expected to reach 1,600 km, and the total suburban railway mileage is expected to reach 600 km in 2025. Such large scale of new line construction can lead to growth of existing businesses of the Group in Beijing.

Apart from the positive outlook of the Group's business in Beijing, as set out in the 2020 Annual Report, the Group has expanded its business across the PRC outside of Beijing. For example, the Group secured various on-board PIS Passenger Information System (乘客信息系統) ("PIS") projects of Changsha Metro Line 5, Hangzhou Metro Line 4 and Line 6's phase 2 project, Ji'nan Metro Line R3, Shaoxing Metro Line 1, Xiamen Metro Line 3, Fuzhou Metro Lines 5 and 6, and Automated Fare Collection System (自動售檢票系統) ("AFC") projects of Zhengzhou Metro Line 4, Chengdu Metro's Coordination and Command Centre (COCC) project, and the connection of Zhengzhou Metro Line 3's AFC system to Automatic Fare Collection Network Control Centre (自動售檢票線網管理中心). The Group has also been expanding its overseas market and has won the bidding of several overseas projects in Mexico, Brazil, Bulgaria, Romania, etc., which enhanced its international influence. The Group's foreign footprint has been expanded to 15 cities in 9 foreign countries as at 31 December 2020.

As further disclosed in the Letter from the Board, given that BII is the ultimate controlling Shareholder, the Board believes that it is in the mutual interests of BII and the Group to continue the long-standing business relationship and therefore such business relationship is unlikely to be terminated or materially adversely changed. Moreover, it is expected that the Company's revenue will increase substantially in the future due to, among others, the expected positive market outlook in the railway transportation industry in Beijing, the Group's rapid growth across the PRC and the Group's expansion in the overseas market.

In addition, the Group commenced business relationship with BII, its subsidiaries and/or associates since 2011 in respect of the transactions similar to the BII Transactions. As BII is the ultimate controlling Shareholder, in light of the secured and steady business relationship between the Company and BII, the level of settlement risk associated with the transactions with the BII is generally lower than those with independent third-party clients.

Based on the foregoing, in particular that (i) the historical transactions conducted under the Former BII Services Agreement only accounted for a small portion of the Group's revenue in the past; (ii) the Group was able to generate a stable revenue stream and substantial income from independent third parties, and is expected to continue to do so in view of the expansion of its business operations and customer base; (iii) the Group has been expanding its business outside of Beijing in the PRC; (iv) there is a long established and steady business relationship between the Group and BII and it is in the mutual interests of BII and the Group to continue the long-standing business relationship; (v) the Proposed Annual Caps I is estimated based on potential projects that may be awarded by BII, which may or may not be materialise, we concur with the Directors that the BII Transactions will not contribute substantially to the future revenue of the Group and the Group's business and operations does not rely materially on BII.

3 Beijing Information Services Framework Agreement

3.1 Information of Beijing Information

Beijing Information is a company established in the PRC and approximately 48.39% and 51.61% of its equity interests are held by Beijing Subway Operation and Beikong Telecom as at the Latest Practicable Date, respectively. Beikong Telecom is ultimately beneficially owned by Mr. Cao, an executive Director and the vice chairman of the Company. To the best of the Directors' knowledge, information and belief, Beijing Information is principally engaged in the provision of technical and maintenance services in relation of civil communications services in railway transportation, sale of electricity and the provision of energy services.

Beijing Subway Operation, one of the shareholders of Beijing Information, is a subsidiary of BII. According to the website of Beijing Subway Operation, Beijing Subway Operation is a state-owned enterprise and one of the few railway operators

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in Beijing, which is responsible for the operations of 16 railways lines in Beijing as at the end of 2020. As an associate of Beijing Subway Operation, Beijing Information is designated as the exclusive service provider in relation to the provision of the Service II to the railway lines operated by Beijing Subway Operation.

3.2 Reasons for and benefits of entering into the Beijing Information Services Framework Agreement

As stated in the Letter from the Board, as the procurement of the Services II is related to the existing principal business of the Group, the Beijing Information Transactions will be conducted in the ordinary and usual course of business of the Group. Also, there has been a long-standing business relationship between Beijing Information, its subsidiaries and/or associates and the Group. The Directors therefore consider that Beijing Information, its subsidiaries and/or associates, are reliable business partners and further business cooperation will be beneficial to the steady growth of the Group.

We have discussed with the Management as to the reasons for and benefits of entering into the Beijing Information Services Framework Agreement. As disclosed in the Letter from the Board, since 2014, the Group has entered into various continuing transactions with a term typically for three years with Beijing Information in relation to the Services II (i.e. including but not limited to the maintenance, fault repair, expansion and upgrade services of the systems, equipment and facilities in relation to civil communications). The Group, therefore, has a business relationship with Beijing Information, its subsidiaries and/or associates in relation to the procurement of the Services II for more than seven years. Pursuant to the Beijing Information Services Framework Agreement, the Group will procure the Services II from Beijing Information, its subsidiaries and/or associates. Beijing Information acts as a downstream supplier for the Group's provision of civil communications and information transmission services in railway stations in Beijing.

According to the Company's announcement dated 27 December 2019, the Group successfully renewed and continued the long-term strategic cooperation with the three major telecommunication operators in the PRC, namely China Mobile Group Beijing Co., Ltd.* (中國移動通信集團北京有限公司), China United Network Communications Co., Ltd. Beijing Branch* (中國聯合網絡通信有限公司北京市分公司) and China Telecom Corporation Limited Beijing Branch* (中國電信股份有限公司北京分公司). Pursuant to the cooperation arrangement, the Group will provide civil communications and information transmission services to the three major telecommunication operators in the PRC covering 12 railway lines and 131 railway stations for a term till December 2023. As such, while the Group is responsible for the provision of civil communications and information transmission services to its clients on a long-term basis, it is necessary to have on-going maintenance and fault repair services (i.e. the Services II) from the downstream suppliers in place to ensure the Group's continuous fulfillment of its obligations under these long-term cooperation with the three major telecommunication operators in the PRC.

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We were informed by the Management that as one of the shareholders of Beijing Information, namely Beijing Subway Operation, is the exclusive operator of certain railway lines in Beijing, Beijing Information (as an associate of Beijing Subway Operation) was designated as an exclusive service provider in relation to the provision of the Service II to the railway lines operated by Beijing Subway Operation. As further confirmed by the Management, in view of confidentiality and sensitivity in assessing the railway intellectual system and operations, it is an industry practice that the railway operators will undertake, or designate subsidiaries or associated companies to undertake, the maintenance and fault repair services of the systems, equipment and facilities in relation to civil communications for its railway stations. Accordingly, since Beijing Information is the exclusive service provider for the provision of the Services II to cover the railway stations operated by Beijing Subway Operation, the procurement of the Services II from Beijing Information is necessary and incidental to the Group's business operations.

In addition, as disclosed in the Letter from the Board, while the Group has procured the Services II from Beijing Information since 2014, Mr. Cao, an executive Director and the vice chairman of the Company, became the ultimate beneficial owner of Beikong Telecom on 19 June 2019, which held approximately 51.61% of the equity interests of Beijing Information. Accordingly, Beijing Information has become an associate of Mr. Cao, and therefore has become a connected person of the Company under Chapter 14A of the Listing Rules since then. The continuing transactions entered into between the Group and Beijing Information since 19 June 2019 have constituted continuing connected transactions (the “**Non-compliance CCTs**”) for the Company under Chapter 14A of the Listing Rules. As further disclosed in the Letter from the Board, due to Mr. Cao's failure to timely notify the Company in relation to his indirect equity interests in Beijing Information and his failure to make relevant disclosure in the Letter of Disclosure, the Company was not aware of the connected relationship between the Company and Beijing Information at the relevant time. In around December 2021, according to the information provided by Mr. Cao, he has become the ultimate beneficial owner of Beijing Information on 19 June 2019. The Company was thereby aware of the connected relationship between the Company and Beijing Information and the Non-compliance CCTs. After the Company becoming aware of the Non-compliance CCTs, the Company took immediate actions to rectify such non-compliance, including adding Beijing Information as a connected person in the Company's list of connected persons. On 17 December 2021, the Company entered into the Beijing Information Services Framework Agreement with Beijing Information to govern the Beijing Information Transactions and facilitate the cooperation with Beijing Information, its subsidiaries and/or its associates for the Group's continuous procurement of the Services II.

Based on the foregoing, we are of the view that the entering into of the Beijing Information Services Framework Agreement is within the ordinary and usual course of business of the Group and in the interests of the Company and the Beijing Information Independent Shareholders as a whole.

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3.3 *Principal terms of the Beijing Information Services Framework Agreement*

According to the Letter from the Board, the principal terms of the Beijing Information Services Framework Agreement are set out as follows.

Date:	17 December 2021
Parties:	(i) The Company; and (ii) Beijing Information
Term:	Subject to the fulfillment of the conditions precedent, the Beijing Information Services Framework Agreement shall be effective between 1 January 2022 and 31 December 2024.

The term of the Beijing Information Services Framework Agreement is set to three years in order to be consistent with the financial year ends of the Company in 2022, 2023 and 2024.

Provision of Services II:	Pursuant to the Beijing Information Services Framework Agreement, Beijing Information, its subsidiaries and/or associates would provide Services II to the Group during the term of the Beijing Information Services Framework Agreement, provided that (i) the member of the Beijing Information 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 Services II.
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Transaction principles:	Pursuant to the Beijing Information Services Framework Agreement, the Group and Beijing Information, its subsidiaries and/or associates will enter into individual agreements for the provision of Services II, the terms of such individual agreements (including the service fees) 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.
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Pricing principles: Pursuant to the Beijing Information Services Framework Agreement, the price of the transactions contemplated thereunder will be determined as follows:

- (i) 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;

- (ii) 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;

- (iii) 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

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- (iv) 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.

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

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

- (i) the Company issuing a circular and obtaining the approval from the Beijing Information Independent Shareholders in relation to the Beijing Information Transactions; and
- (ii) the passing of all approval procedures by Beijing Information in relation to the Beijing Information Transactions.

In determining suitable pricing basis for the Beijing Information Transactions, we have discussed with the Management and understood that the Group and Beijing Information had historically adopted and is expected to continue to adopt the fourth price determination method as set out above (i.e. through cost-plus pricing). As mentioned above, Beijing Information was designated as an exclusive service provider in relation to the provision of Service II to the railway lines operated by Beijing Subway Operation. In other words, there are no similar service suppliers in the market for the provision of Service II to cover the railway lines operated by Beijing Subway Operation. Accordingly, it is not practicable to adopt open tender in the selection of suppliers for the provision of Service II under the Beijing Information Services Framework Agreement.

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Although the Group did not procure services similar to the Service II from independent third-party suppliers, the Management advised that the Group would assess the pricing of the Services II based on, among others, the historical transaction prices with Beijing Information, the scope and complexity of services and the number of railway stations covered. As the procurement of the Services II is primarily demand driven to support the Group's provision of civil communications transmission services, the Group will assess the cost of the Services II from Beijing Information with reference to the engagement from the upstream customers to ensure that the project undertaken by the Group will be profitable. In addition, although terms to or from independent third parties in relation to the Services II are not available for comparison, pursuant to the Beijing Information Services Framework Agreement, the terms of individual agreements (including the service fees) to be entered into under the Beijing Information Services Framework Agreement 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 of the Group.

We also understood that the Group had adopted the similar systemic review procedures as the New BII Services Framework Agreement as mentioned above for the procurement of the Services II from Beijing Information, which requires (i) the establishment of project team to assess the details (e.g. pricing and terms) of proposed procurement; (ii) the review of proposed procurement details by the legal department and finance department; and (iii) the further review and approval by relevant responsible senior management members. As such, we obtained and reviewed an internal guidance document as to the Group's review procedure process, which detailed the steps to be taken by the project team, legal department, finance department and relevant responsible senior management members for approving the Beijing Information Transactions. Therefore, we consider that the Group has established independent review procedure for the procurement of the Services II under the Beijing Information Services Framework Agreement.

In order to ascertain whether the review procedure has been implemented by the Group for its transactions with Beijing Information, we have obtained and reviewed two randomly selected assessment documents of the Group in 2019 and 2020 for the Non-compliance CCTs (i.e. the transactions with Beijing Information prior to the Beijing Information Services Framework Agreement when Beijing Information is treated as a connected person of the Company under the Listing Rules). Based on our review, we noted that (i) the relevant details of the project, including but not limited to the background, project contract sum and breakdown of estimated project cost in term of number of railway stations, were documented; and (ii) the assessment documents were submitted to the legal department and finance department for review; and (iii) the assessment documents were approved by the legal department, finance department and relevant responsible senior management members. Therefore, no material deviation with the Group's review procedure was noted from the aforementioned sample assessment documents, and the Group has followed its review procedure for the assessment process prior to the procurement of the services from Beijing Information. It is also noted that the above review procedures comply with the internal control measures adopted by the Group to

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govern the Beijing Information Transactions, details of which are disclosed in the section headed “4. Internal control measures of the Group” below.

Based on the foregoing and having considered that (i) Beijing Information is the exclusive service supplier in relation to the provision of the Service II for the railway lines operated by Beijing Subway Operation, as confirmed by the Management; (ii) the Group has adopted independent review procedure to ensure that the terms and pricing of the Beijing Information Transactions will be fair and competitive; and (iii) the terms of the Beijing Information Transactions will be negotiated by the parties at arm’s length negotiations and on normal commercial terms, we are of the view that the terms of the Beijing Information Services Framework Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Beijing Information Independent Shareholders are concerned.

3.4 Proposed annual cap for the Beijing Information Transactions (the “Proposed Annual Caps II”)

Historical transaction amount

The historical transaction amounts under the service agreements entered into between the Group and Beijing Information in relation to the Services II for the two years ended 31 December 2019 and 2020 and the six months ended 30 June 2021 were approximately RMB35.1 million, RMB35.7 million and RMB17.7 million respectively (equivalent to approximately HK\$42.8 million, HK\$43.6 million and HK\$21.6 million, respectively).

The Proposed Annual Caps II

The Proposed Annual Caps II in respect of the Beijing Information Transactions for each of the years ending 31 December 2022, 2023 and 2024 is RMB60 million, RMB70 million and RMB90 million, respectively (equivalent to approximately HK\$73.2 million, HK\$85.4 million and HK\$109.8 million, respectively).

As disclosed in the Letter from the Board, the Proposed Annual Caps II in respect of the Beijing Information Transactions for the three years ending 31 December 2024 are determined with reference to, among others, the following:

- (i) the historical transaction amounts under the agreements entered into between the Group and Beijing Information in relation to the Services II;

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- (ii) the transaction amounts in respect of the transactions to be completed under the agreements entered into between the Group and Beijing Information in relation to the Services II;
- (iii) the estimated number of projects to be offered by the Group for the Group's procurement of the Services II for the years ending 31 December 2022, 2023 and 2024; and
- (iv) the steady development of railway transportation in Beijing and the related civil communications services.

In assessing the fairness and reasonableness of the Proposed Annual Caps II, we have discussed with the Management as to the bases and assumptions in determining the Proposed Annual Caps II. We understood that the Proposed Annual Caps II could be broadly divided into (i) the contract sum of existing contracts which will be expired and renewed during the three years ending 31 December 2024, respectively; and (ii) the potential new contracts which will be entered into by the Group and Beijing Information during the three years ending 31 December 2024 with reference to the demand for the Services II from the Group. In this regard, we have obtained and reviewed a breakdown the aforementioned existing and potential new contracts, and noted that:

- (i) there are eight existing contracts which will expire and is expected to be renewed during the three years ending 31 December 2024, and the transaction amount of which is expected to be approximately RMB33.8 million for each of the three years ending 31 December 2024, respectively. Such estimated amounts represented approximately 56.3%, 48.3% and 37.6% of the Proposed Annual Caps II for the three years ending 31 December 2024, respectively. These existing contracts are mainly related to the provision of the Services II from Beijing Information for railway Line 5, Line 6, Line 8, Line 9, Line 10, Line 15, Yizhuang Line and Changping Line in Beijing, which are operated by Beijing Subway Operation. The expected contract amount of existing contracts to be renewed is estimated based on the historical contract sum of these existing contracts that the Group engaged Beijing Information for the provision of the Services II; and
- (ii) there are 12 potential new contracts which will be entered into by the Group and Beijing Information during the three years ending 31 December 2024 and the transaction amount of which is expected to be approximately RMB12.6 million, RMB16.0 million and RMB19.5 million for the three years ending 31 December 2024, respectively. Such estimated amounts represented approximately 21.0%, 22.9% and 21.7% of the Proposed Annual Caps II for the

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three years ending 31 December 2024, respectively. These contracts are related to the additional demand for the Services II from the Group in respect of railway Line 6, Line 8, Line 15, New Airport Line and the general maintenance and fault repair services of 2G and 4G civil communications of railway stations in Beijing.

In addition to the aforementioned existing and potential contracts, the Management considered that there has been a surge in demand for the Services II in view of the favorable government policies and increasing traffic and usage of the railway transportation in Beijing, which in turn resulted in a higher need for maintenance, fault repair, expansion and upgrade services in respect of the Services II. As the procurement of the Services II is primarily demand driven which is incidental to the Group's provision of civil communications and information transmission services to its customers, it is believed that the demand for the Services II will continue to expand along the Group's growth in business of civil communications and information transmission services and the government's plan to develop the railway network in Beijing. Accordingly, in view of the exclusivity of the Services II from Beijing Information, we consider that it is of the Group's commercial interest to have reasonable buffer for the Proposed Annual Caps II to cater for its business expansion.

Having considered the above, we are of the view that the bases adopted by the Company in determining the Proposed Annual Caps II are fair and reasonable so far as the Beijing Information Independent Shareholders are concerned.

However, the Beijing Information Independent Shareholders should note that the Proposed Annual Caps II relates to the future event and it was made based on the best estimates by the Management with reference to the information currently available. The Proposed Annual Caps II bears no direct relationship to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance.

Mutual interests between the Group and Beijing Information under the Beijing Information Transactions

As detailed above, while the Group is responsible for the provision of civil communications and information transmission services to its clients on a long-term basis, it is necessary to have on-going maintenance, fault repair, expansion and upgrade services (i.e. the Services II) from the downstream suppliers in place to ensure the Group's continuous fulfillment of its obligations under these long-term operation with the three major telecommunication operators in the PRC.

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Furthermore, it is an industry practice that the railway operators will undertake, or designate subsidiaries or associated companies to undertake, the maintenance and fault repair services of the systems, equipment and facilities in relation to civil communications for its railway stations. Since Beijing Information (being an associated company of Beijing Subway Operation) is the exclusive service provider for the provision of the Services II to cover the railway stations operated by Beijing Subway Operation, the procurement of the Services II from Beijing Information is necessary and incidental to the Group's business operations.

As disclosed in the Letter from the Board, the Group is a leading provider of civil communications transmission systems for subways with long-term strategic cooperation with the major telecommunication operators in the PRC, and with civil communications service covered in 22 metro line parts and 212 metro stations in Beijing as of the end in 2020. Beijing Information is also reliant and dependent on the Group for the procurement of the Services II in view of the Group's leading position in the industry. The reliance between the Group and Beijing Information in relation to the procurement of the Services II is mutual and complementary.

Taking into account the above and the fact that (i) the procurement of the Services II is primarily demand-driven, which is required to support the Group's provision of services to its clients; (ii) it is an industry practice that railway operators will undertake, or designate subsidiaries or associated companies to undertake, the maintenance and fault repair services of the systems, equipment and facilities in relation to civil communications for its railway stations; (iii) Beijing Information (being an associated company of Beijing Subway Operation) is the exclusive service provider for the provision of the Services II to cover the railway stations operated by Beijing Subway Operation; and (iv) Beijing Information is reliant and dependent on the Group for the procurement of the Services II in view of the Group's leading position in the industry and its cooperation arrangement with the three major telecommunication operators in the PRC, we concur with the Directors that it is in the mutual interests of the Group and Beijing Information to continue the long-standing business relationship and therefore such business relationship is unlikely to be terminated or materially adversely changed.

4 Internal control measures of the Group for the BII Transactions and the Beijing Information Transactions

As disclosed in the Letter from the Board, in order to ensure (i) the terms of the transactions and the pricing mechanisms under the BII Transactions and the Beijing Information Transactions are fair and open; (ii) the Proposed Annual Caps I or the Proposed Annual Caps II will not be exceeded; and (iii) the BII Transactions and the Beijing Information Transactions are conducted in accordance with the requirements under the Listing Rules, the Group adopted a policy regarding the management of continuing connected transactions, which was formulated pursuant to the actual day-to-day business operations of the Group and the relevant requirements, laws and

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regulations including the Listing Rules and the articles of association of the Company. The policy will ensure compliance of the Listing Rules regarding continuing connected transactions of the Group under (i) the BII Transactions; and (ii) the Beijing Information Transactions through strict requirements and measures in relation to identification of connected persons and connected transactions, internal review and approval procedures of connected transactions, monitoring disclosure requirements under the Listing Rules, and supervision, management and disclosure of connected transactions.

In this regard, we have obtained and reviewed the Group's written internal control procedures for the BII Transactions and the Beijing Information Transactions, details of which are set out below:

1. when possible connected transaction arises during the course of business of the Group which falls under the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement, relevant staff will report to the finance department and the legal department of the Group regarding the details of the connected party and the possible transaction with such connected party;
2. the business department of the Group will prepare an estimate of costs and price of the possible connected transaction based on the relevant rules and regulations announced by the government and/or the industry association(s), as well as the market price which is expected to be payable by independent third party in respect of the provision of similar services by the Group;
3. based on the information of the possible connected transaction and the estimates of the costs and price, the business management department, business department, finance department, legal department and the Company's external advisers will review and confirm the terms of the possible connected transaction, including but not limited to whether the terms and price are fair and reasonable, and the settlement terms and compliance matters;
4. if the possible connected transaction is approved by the internal departments of the Group, the management of the Group will consider the possible connected transaction based on the internal assessment results, and approve/reject the transaction;
5. if the possible connected transaction is approved by the management of the Group, the finance department and the legal department of the Group will continuously monitor the performance of the transaction to ensure that the transaction falls within the terms of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement;
6. the designated staff from the finance department of the Group will closely monitor the total respective transaction amount of the BII Transactions and the Beijing Information Transactions to ensure that the Proposed Annual Caps I and the Proposed Annual Caps II will not be exceeded, respectively;

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7. in the event that the total transaction amount of the BII Transactions or the Beijing Information Transactions incurred or to be incurred is expected to reach or exceed the Proposed Annual Caps I or the Proposed Annual Caps II, respectively, the finance department of the Company will follow up by reporting to the senior management of the Company, and in case any revision of the Proposed Annual Caps I or the Proposed Caps II is required, the Company will take necessary actions in compliance with the requirements under the Listing Rules; and
8. the connected transaction of the Group will also be subject to annual review by the independent non-executive Directors and auditors in accordance with the Listing Rules.

Having considered the above, we are of the view that the Group has internal control measures in place to ensure and safeguard the Continuing Connected Transactions to be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinions that the Continuing Connected Transactions, including the Proposed Annual Caps I and the Proposed Annual Caps II, are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and the terms of the Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the BII Independent Shareholders and the Beijing New Information Independent Shareholders are concerned. Accordingly, we advise (i) the BII Independent Shareholders as well as the Independent Board Committee to recommend the BII Independent Shareholders; and (ii) the Beijing Information Independent Shareholders as well as the Independent Board Committee to recommend the Beijing Information Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the BII Transactions and the Beijing Information Transactions, respectively.

Yours faithfully,
For and on behalf of
Innovax Capital Limited
Alvin Kam
Managing Director

Note: Mr. Alvin Kam is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in investment banking and corporate finance.

* *For illustrative purpose only*

** *For the purpose of this letter, the exchange rate of RMB1.00 to HK\$1.22 was adopted for the conversion of RMB to HK\$.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or its associated corporations, as defined in Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3, and Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Director	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued shares held as at the Latest Practicable Date
Mr. Cao Wei ("Mr. Cao")	Long position	Interest of controlled corporation (<i>Note 1</i>)	244,657,815	11.66%
	Long position	Beneficial owner	800,000	0.04%
				11.70%
Xuan Jing	Long position	Beneficial owner	4,032,000	0.19%

Note:

- These shares are held by More Legend Limited ("**More Legend**"), and More Legend is wholly owned by Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 244,657,815 shares of the Company which More Legend owns. Mr. Cao is the sole director of More Legend.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associates had any interests and/or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3, and Divisions 7 and 8 of Part XV of the SFO and the Model Code.

(b) Substantial Shareholders' interests

As at the Latest Practicable Date, the following persons had interests of 5% or more in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued shares held as at the Latest Practicable Date
More Legend	Long position	Beneficial owner (Note 1)	244,657,815	11.66%
Ms. Wang Jianping ("Ms. Wang")	Long position	Interest of spouse (Note 2)	245,457,815	11.70%
BII HK	Long position	Beneficial owner (Note 3)	1,157,634,900	55.20%
BII	Long position	Interest of controlled corporation (Note 3)	1,157,634,900	55.20%
China Property and Casualty Reinsurance Company Ltd.* (中國財產再保險有限公司)	Long position	Beneficial owner (Note 4)	142,789,534	6.81%
China Reinsurance (Group) Corporation* (中國再保險(集團)股份有限公司)	Long position	Interest of controlled corporation (Note 4)	167,745,534	8.00%
Central Huijin Investment Ltd	Long position	Interest of controlled corporation (Note 4)	167,745,534	8.00%

Notes:

1. More Legend is the legal and beneficial owner of 244,657,815 shares of the Company and is wholly-owned by Mr. Cao. Mr. Cao is also the sole director of More Legend.
2. Ms. Wang is the spouse of Mr. Cao and by virtue of the SFO, is deemed to be interested in the 245,457,815 shares of the Company which Mr. Cao is interested in.
3. BII HK is a wholly-owned subsidiary of BII. By virtue of the SFO, BII is deemed to be interested in the 1,157,634,900 shares of the Company owned by BII HK.
4. China Property and Casualty Reinsurance Company Ltd. and China Life Reinsurance Company Ltd. which hold 142,789,534 Shares and 24,956,000 Shares, respectively, are each a wholly-owned subsidiary of China Reinsurance (Group) Corporation, which is in turn owned as to 71.56% by Central Huijin Investment Ltd. By virtue of the SFO, China Reinsurance (Group) Corporation and Central Huijin Investment Ltd. are deemed to be interested in the 142,789,534 shares of the Company owned by China Property and Casualty Reinsurance Company Ltd. and 24,956,000 shares of the Company owned by China Life Reinsurance Company Ltd.

Save as disclosed above, as at the Latest Practicable Date, the Company is not aware of any other person having any interests or short positions in the Shares or underlying Shares of the Company as at the Latest Practicable Date as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement, which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2020, the date of which the latest published and audited consolidated financial statements of the Company were made up.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group which does not expire or which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had interest in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

6. QUALIFICATION AND CONSENTS OF EXPERT

The following sets out the qualifications of the experts who have given their opinions or advice or statements as contained in this circular:

Name	Qualification
Innovax Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activity under the SFO

As at the Latest Practicable Date, the above expert had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

As at the Latest Practicable Date, the above expert had no direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2020 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.biitt.cn>) for a period of 14 days from the date of this circular:

- (a) the New BII Services Framework Agreement;
- (b) the Beijing Information Services Framework Agreement;
- (c) the letter from Independent Financial Adviser as set out in this circular;
- (d) the letter from the Independent Board Committee as set out in this circular;
- (e) the written consent from the Independent Financial Adviser referred to in the paragraph headed “Qualification and consents of expert” in this Appendix;
and
- (f) this circular.

* *For identification purposes only*

NOTICE OF EGM

京投轨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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of BII Railway Transportation Technology Holdings Company Limited (the “Company”) will be held at Conference Room, 4/F, 4th Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People’s Republic of China on Thursday, 3 March 2022 at 9:30 a.m., to consider and, if thought fit, pass the following ordinary resolution (with or without modifications):

ORDINARY RESOLUTIONS

1. “THAT
 - (a) the services framework agreement dated 17 December 2021 between the Company and BII (the “**New BII Services Framework Agreement**”) (a copy of the New BII Services Framework Agreement has been produced at the meeting marked “A” and signed by the chairman of the meeting for identification purpose), the terms and conditions thereof and the transactions contemplated thereunder, and the relevant proposed annual cap amounts of the transactions contemplated under the New BII Services Framework Agreement for the three years ending 31 December 2022, 2023 and 2024 as shown in the Company’s circular dated 11 February 2022 be and are hereby approved, confirmed and ratified; and
 - (b) Mr. Zhang Yanyou (the chairman of the board of directors (the “**Director(s)**”) of the Company and a non-executive Director) or Ms. Xuan Jing (an executive Director) be and is hereby authorised to do all such acts and things and to sign and execute all such other documents or instrument for and on behalf of the Company (including the affixation of the common seal of the Company where required) as he or she may consider necessary, appropriate, expedient or desirable in connection with, or to give effect to the New BII Services Framework Agreement and to implement the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto that are of administrative nature and ancillary to the implementation of the New BII Services Framework Agreement and any other transactions contemplated under or incidental to the New BII Services Framework Agreement”.

NOTICE OF EGM

2. **“THAT**
- (a) the services framework agreement dated 17 December 2021 between the Company and Beijing Information (the **“Beijing Information Services Framework Agreement”**) (a copy of the Beijing Information Services Framework Agreement has been produced at the meeting marked “B” and signed by the chairman of the meeting for identification purpose), the terms and conditions thereof and the transactions contemplated thereunder, and the relevant proposed annual cap amounts of the transactions contemplated under the Beijing Information Services Framework Agreement for the three years ending 31 December 2022, 2023 and 2024 as shown in the Company’s circular dated 11 February 2022 be and are hereby approved, confirmed and ratified; and
- (b) Mr. Zhang Yanyou (the chairman of the board of directors (the **“Director(s)”**) of the Company and a non-executive Director) or Ms. Xuan Jing (an executive Director) be and is hereby authorised to do all such acts and things and to sign and execute all such other documents or instrument for and on behalf of the Company (including the affixation of the common seal of the Company where required) as he or she may consider necessary, appropriate, expedient or desirable in connection with, or to give effect to Beijing Information Services Framework Agreement and to implement the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto that are of administrative nature and ancillary to the implementation of Beijing Information Services Framework Agreement and any other transactions contemplated under or incidental to Beijing Information Services Framework Agreement”.

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

Hong Kong, 11 February 2022

NOTICE OF EGM

Notes:

1. A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or if he/she is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the memorandum of association and articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting (i.e. not later than 9:30 a.m. on Tuesday, 1 March 2022 (Hong Kong time)) or adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof, should he/she so wish.
3. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 28 February 2022 to Thursday, 3 March 2022, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 25 February 2022 (Hong Kong time).
4. Completion and return of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of poll.
6. The form of proxy for use at the EGM is enclosed herewith.

As at the date of this notice, the executive director of the Company is Ms. Xuan Jing, the non-executive directors of the Company are Mr. Zhang Yanyou, Mr. Cao Wei, Mr. Guan Jifa, Mr. Zheng Yi and Ms. Gu Xiaohui, the independent non-executive directors of the Company are Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin.