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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)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED ACQUISITION OF 95% EQUITY INTERESTS IN HUAQI INTELLIGENT

THE ACQUISITION AGREEMENTS

The Board is pleased to announce that on 29 November 2018 (after trading hours), among others, the Company, NetPosa, Huaqi Intelligent and Mr. Liu entered into the Acquisition Agreements pursuant to which the Company has conditionally agreed to acquire and NetPosa has conditionally agreed to sell the Sale Equity, being 95% of equity interests in Huaqi Intelligent, at the Consideration of RMB1,045,000,000 (equivalent to approximately HK\$1,191,300,000).

Completion shall take place within 20 Business Days after all the Acquisition Conditions Precedent to the Acquisition Agreements have been fulfilled (or, if applicable, waived by the parties thereto).

Upon completion of the Registration, Huaqi Intelligent will become a non-wholly owned subsidiary of the Company and the financial results of which will be consolidated into the financial statements of the Company.

LISTING RULES IMPLICATION

As certain applicable percentage ratios in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and therefore the Company is subject to reporting, announcement and Shareholders' approval requirements.

THE EGM

The EGM will be convened and held for the Shareholders to consider, and if thought fit, approve, the Acquisition Agreements and the transactions contemplated thereunder, including the options to sell to be granted by the Company to Huaqi Management Team. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and hence no Shareholder is required to abstain from voting in respect of the ordinary resolution(s) to approve the Acquisition Agreements and the transactions contemplated thereunder, including the options to sell to be granted by the Company to Huaqi Management Team, at the EGM.

As additional time is required to prepare the financial information of Huaqi Group to be included in the circular, a circular containing, among other things, (i) details of the Acquisition; (ii) financial information of Huaqi Group; (iii) notice of the EGM; and (iv) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 31 January 2019 in order to allow sufficient time for the Company to prepare the required financial information and other relevant information for incorporating into the circular.

As Completion is subject to the fulfillment and/or waiver (as the case may be) of the conditions precedent as set out in the Acquisition Agreements, the Acquisition may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 29 November 2018 (after trading hours), among others, the Company, NetPosa, Huaqi Intelligent and Mr. Liu entered into the Acquisition Agreements pursuant to which the Company has conditionally agreed to acquire and NetPosa has conditionally agreed to sell the Sale Equity, being 95% of equity interests in Huaqi Intelligent, at the Consideration of RMB1,045,000,000 (equivalent to approximately HK\$1,191,300,000).

THE ACQUISITION AGREEMENTS

The principal terms of the Acquisition Agreements are set out as follows:

Date: 29 November 2018 (after trading hours)

Principal parties: (1) the Company, as the purchaser;

(2) NetPosa, as the vendor;

(3) Huaqi Intelligent; and

(4) Mr. Liu.

NetPosa is a company established in the PRC with limited liability, and the shares of which are listed on the Shenzhen Stock Exchange (SZSE: 300367). It is principally engaged in research and development, manufacturing and sales of video monitoring and management platforms and provision of related technology services.

As at the date of this announcement, Huaqi Intelligent was a wholly-owned subsidiary of NetPosa, and Mr. Liu is a shareholder who directly and indirectly held approximately 27.99% of equity interests in NetPosa as at the date of this announcement.

The Company may nominate any of its subsidiaries to act as the purchaser in relation to the Acquisition.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of NetPosa, Huaqi Intelligent and their respective beneficial owners (including Mr. Liu) and substantial shareholders is an independent third party and is not a connected person of the Company.

Subject matter and assets to be acquired

Pursuant to the Acquisition Agreements, the Company has conditionally agreed to acquire and NetPosa has conditionally agreed to sell the Sale Equity, being 95% of equity interests in Huaqi Intelligent, at the Consideration of RMB1,045,000,000 (equivalent to approximately HK\$1,191,300,000). Huaqi Intelligent is a company established in the PRC with limited liability. Huaqi Group is principally engaged in the provision of solutions of automation and information-based systems for transportation applications. It offers products, techniques, system integration, operation services and consultancy for high-speed railway, train, urban rail transit, interurban railway and urban railway in the PRC. Details of Huaqi Group are set out in the paragraph headed "Information on Huaqi Group" below.

The Acquisition Agreements do not provide for any change in the composition of the Board after Completion.

Consideration

Pursuant to the Acquisition Agreements, on 29 November 2018 (after trading hours), the Company, BII Zhuoyue, NetPosa, Huaqi Intelligent and Mr. Liu entered into a framework agreement pursuant to which the Company has conditionally agreed to pay NetPosa through BII Zhuoyue a refundable Deposit amounting to RMB418,000,000 (equivalent to approximately HK\$476,520,000), subject to the fulfilment of the following conditions:

- (i) the Company having completed due diligence review in relation to accounts, valuation, legal compliance and operation of Huaqi Intelligent;
- (ii) the execution and delivery of the Acquisition Agreements and ancillary agreements in relation to the Acquisition;
- (iii) the Board having passed the relevant resolutions to approve the Acquisition;

- (iv) the board of directors of 北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Company Limited*, the controlling Shareholder of the Company) having passed the relevant resolutions to approve the Acquisition;
- (v) the Stock Exchange having approved the announcement in relation to the Acquisition and determined the Acquisition constituting a very substantial acquisition for the Company under the Listing Rules (and not a reverse takeover);
- (vi) NetPosa having registered the charge against the entire equity interests in Huaqi Intelligent in favour of the Company, and such original registration document having been delivered to the Company and BII Zhuoyue; and
- (vii) NetPosa having completed all internal procedures in respect of the Acquisition as required in accordance with its articles of association.

In any event if the above condition (iv) has been fulfilled regardless of other conditions having been fulfilled or not, BII Zhuoyue shall pay the Deposit to NetPosa by 7 December 2018. If the Deposit has not been paid to NetPosa by 7 December 2018, the exclusivity clause in the Term Sheet shall terminate.

Pursuant to the Acquisition Agreements, the Deposit shall be refunded to the Company through BII Zhuoyue by NetPosa on the earliest of:

- (i) 180 days from the date of payment of the Deposit;
- (ii) 10 Business Days from the date on which NetPosa receiving the 1st Payment (as defined below) of the Consideration;
- (iii) 20 Business Days from the date on which the Company delivered notice to NetPosa, Huaqi Intelligent or Mr. Liu if NetPosa, Huaqi Intelligent or Mr. Liu has breached any terms in the Acquisition Agreements;
- (iv) 180 days from the date of signing of the Acquisition Agreements and Completion has not taken place;
- (v) 20 Business Days from the date of termination of the Acquisition Agreements.

Pursuant to the Acquisition Agreements, the Consideration for the sale and purchase of the Sale Equity is RMB1,045,000,000 (equivalent to approximately HK\$1,191,300,000) (subject to downward adjustment), which shall be satisfied by way of cash by the Company to NetPosa in following manners:

- (i) as to RMB365,750,000 (equivalent to approximately HK\$416,955,000) (the “**1st Payment**”), being 35% of the Consideration, shall be payable to NetPosa within 10 Business Days after, among others, Completion;
- (ii) as to RMB418,000,000 (equivalent to approximately HK\$476,520,000) (the “**2nd Payment**”), being 40% of the Consideration, shall be payable to NetPosa within 10 Business Days after, among others, the refund of the Deposit by NetPosa to the Company through BII Zhuoyue;

- (iii) subject to adjustment, as to RMB73,150,000 (equivalent to approximately HK\$83,391,000) (the “**3rd Payment**”), being 7% of the Consideration, shall be payable to NetPosa within 10 Business Days after, among others, the 2019 Audited Accounts with unqualified auditors’ opinion shall have been issued;
- (iv) subject to adjustment, as to RMB83,600,000 (equivalent to approximately HK\$95,304,000) (the “**4th Payment**”), being 8% of the Consideration, shall be payable to NetPosa within 10 Business Days after, among others, the 2020 Audited Accounts with unqualified auditors’ opinion shall have been issued; and
- (v) subject to adjustment, as to RMB104,500,000 (equivalent to approximately HK\$119,130,000) (the “**5th Payment**”), being 10% of the Consideration, shall be payable to NetPosa within 10 Business Days after, among others, the 2021 Audited Accounts with unqualified auditors’ opinion shall have been issued.

The above Consideration is subject to adjustment in the following events:

- (i) the aggregate amount of the Consideration will be subject to downward adjustment if the Consideration is greater than the valuation of the Sale Equity to be approved by the State Asset Supervision and Administration Commission of People’s Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會) (“**Approved Value**”) by more than 10%. Under this situation, the Consideration will be adjusted to 110% of the Approved Value.
- (ii) the 3rd Payment, the 4th Payment and the 5th Payment will be subject to downward adjustment if the Net Profit of Huaqi Intelligent falls short of the Expected Performance Guarantee. Details of the expected performance guarantee and adjustment mechanism are described under the paragraph headed “Expected performance guarantee” in this announcement.

The Consideration was determined after arm’s length negotiations between the Company and NetPosa after taking into consideration by the Company, among other things, (i) the Expected Performance Guarantee; (ii) the valuation of the Sale Equity; (iii) the reasons and benefits of the Acquisition as stated under the paragraph headed “Reasons for and benefits of the Acquisition” in this announcement; and (iv) the prospects of the businesses operated by Huaqi Intelligent.

Expected performance guarantee

Pursuant to the Acquisition Agreements, on 29 November 2018 (after trading hours), the Company, NetPosa, Huaqi Intelligent, Huaqi Management Team and Mr. Liu entered into the Expected Performance Guarantee Agreement pursuant to which NetPosa and Mr. Liu have irrevocably and unconditionally guaranteed to the Company that the Net Profit of Huaqi Intelligent:

- (i) for FY2019 shall be no less than RMB108,000,000 (the “**2019 Guaranteed Performance**”);
- (ii) for FY2020 shall be no less than RMB129,000,000 (the “**2020 Guaranteed Performance**”); and

(iii) for FY2021 shall be no less than RMB155,000,000 (the “**2021 Guaranteed Performance**”).

FY2019:

In the event the 2019 Actual Performance shall be less than 90% of the 2019 Guaranteed Performance, the 3rd Payment payable by the Company to NetPosa shall be adjusted by off-setting the compensation amount payable by NetPosa to the Company in respect of the 2019 Guaranteed Performance (the “**2019 Compensation Amount**”), which will be calculated as follows:

$$\text{2019 Compensation Amount} = \frac{(\text{2019 Guaranteed Performance} - \text{2019 Actual Performance})}{(\text{2019 Guaranteed Performance} + \text{2020 Guaranteed Performance} + \text{2021 Guaranteed Performance})} \times \text{Consideration}$$

After FY2019, the Company has the right to appoint the auditors to perform impairment testing on the Sale Equity as at the end of FY2019. If the impairment amount of the Sale Equity as at such reference date as determined by the auditors shall be greater than the 2019 Compensation Amount, NetPosa and Mr. Liu shall compensate the Company by cash the amount of such impairment that is in excess of the 2019 Compensation Amount within 30 Business Days from the issuance of such report.

In the event the 2019 Actual Performance shall be equal to or more than 90%, but is less than 100% of the 2019 Guaranteed Performance, the 2019 Guaranteed Performance shall be treated as being fulfilled, but payment of a portion of the 3rd Payment (the “**Deferred 3rd Payment**”) shall be deferred to the time when the 5th Payment is payable. The amount of Deferred 3rd Payment shall be calculated as follows:

$$\text{Deferred 3rd Payment} = \text{3rd Payment} \times \left(1 - \frac{\text{2019 Actual Performance}}{\text{2019 Guaranteed Performance}} \right)$$

FY2020:

In the event the 2020 Actual Performance shall be less than 90% of the 2020 Guaranteed Performance, the 4th Payment payable by the Company to NetPosa shall be adjusted by off-setting the compensation amount payable by NetPosa to the Company in respect of the 2020 Guaranteed Performance (the “**2020 Compensation Amount**”), which will be calculated as follows:

$$\text{2020 Compensation Amount} = \frac{(\text{2020 Guaranteed Performance} - \text{2020 Actual Performance})}{(\text{2019 Guaranteed Performance} + \text{2020 Guaranteed Performance} + \text{2021 Guaranteed Performance})} \times \text{Consideration}$$

After FY2020, the Company has the right to appoint the auditors to perform impairment testing on the Sale Equity as at the end of FY2020. If the impairment amount of the Sale Equity as at such reference date as determined by the auditors shall be greater than the 2019 Compensation Amount and the 2020 Compensation Amount in aggregate, NetPosa and Mr. Liu shall compensate the Company by cash the amount of such shortfall within 30 Business Days from the issuance of such report.

In the event the 2020 Actual Performance shall be equal to or more than 90%, but is less than 100% of the 2020 Guaranteed Performance, the 2020 Guaranteed Performance shall be treated as being fulfilled, but payment of a portion of the 4th Payment (the “**Deferred 4th Payment**”) shall be deferred to the time when the 5th Payment is payable. The amount of the Deferred 4th Payment shall be calculated as follows:

$$\text{Deferred 4th Payment} = \text{4th Payment} \times \left(1 - \frac{\text{2020 Actual Performance}}{\text{2020 Guaranteed Performance}} \right)$$

FY2021:

In the event the 2019 Actual Performance, the 2020 Actual Performance and the 2021 Actual Performance (in aggregate) shall be less than the 2019 Guaranteed Performance, the 2020 Guaranteed Performance and the 2021 Guaranteed Performance (in aggregate), then the 5th Payment payable by the Company to NetPosa shall be adjusted by off-setting the compensation amount payable by NetPosa to the Company (the “**2021 Compensation Amount**”), which will be calculated as follows:

$$\text{2021 Compensation Amount} = \frac{((\text{2019 Guaranteed Performance} + \text{2020 Guaranteed Performance} + \text{2021 Guaranteed Performance}) - (\text{2019 Actual Performance} + \text{2020 Actual Performance} + \text{2021 Actual Performance}))}{(\text{2019 Guaranteed Performance} + \text{2020 Guaranteed Performance} + \text{2021 Guaranteed Performance})} \times \text{Consideration}$$

After FY2021, the Company has the right to appoint the auditors to perform impairment testing on the Sale Equity as at the end of FY2021. If the impairment amount of the Sale Equity as at such reference date as determined by the auditors shall be greater than the 2019 Compensation Amount, the 2020 Compensation Amount and the 2021 Compensation Amount in aggregate, NetPosa and Mr. Liu shall compensate the Company by cash the amount of such shortfall within 30 Business Days from the issuance of such report.

For the avoidance of doubt, should the 2019 Compensation Amount and 2020 Compensation Amount be greater than the 3rd Payment and the 4th Payment, respectively, the Company shall not be required to make payment of the 3rd Payment and the 4th Payment (as the case may be) at the relevant period, and Mr. Liu shall compensate the Company the shortfall. Should the 2021 Compensation Amount be greater than the sum of the 5th Payment, the Deferred 3rd

Payment and the Deferred 4th Payment (if any), the Company shall not be required to make payment of the 5th Payment, the Deferred 3rd Payment and the Deferred 4th Payment at the relevant time, and Mr. Liu shall compensate the Company in cash the difference between (i) 2021 Compensation Amount; and (ii) the sum of 5th Payment, the Deferred 3rd Payment and the Deferred 4th Payment (if any) at the relevant time.

All amount(s) payable to the Company by NetPosa as compensation as set out above shall not exceed the outstanding amount of the Consideration at the relevant time. All amount(s) payable to the Company by Mr. Liu and NetPosa as compensation as set out above in aggregate shall not exceed the Consideration.

Option to sell

In respect of FY2019 or FY2020, if the 2019 Actual Performance or the 2020 Actual Performance is equal to or greater than the 2019 Guaranteed Performance or the 2020 Guaranteed Performance (as the case may be), Huaqi Management Team shall have the right to request the Company to purchase from them 30% equity interests in Huaqi Intelligent held by them as at Completion (being 5%), at a price to be determined as follow:

$$\text{Price} = 12.22 \times \left(\begin{array}{c} \text{2019 Actual Performance} \\ \text{or} \\ \text{2020 Actual Performance} \\ \text{(as the case may be)} \end{array} \right) \times \left(\begin{array}{c} \text{Percentage of equity} \\ \text{interests in} \\ \text{Huaqi Intelligent held by} \\ \text{Huaqi Management Team} \\ \text{as at Completion} \\ \text{(being 5\%)} \end{array} \right) \times 30\%$$

If the 2019 Actual Performance or the 2020 Actual Performance shall reach 90% or more (but less than 100%) of the 2019 Guaranteed Performance or the 2020 Guaranteed Performance (as the case may be), Huaqi Management Team shall have the right to request the Company to purchase from them 30% equity interests in Huaqi Intelligent held by them as at Completion (being 5%) times the proportion of the 2019 Actual Performance or the 2020 Actual Performance (as the case may be) to the 2019 Guaranteed Performance or the 2020 Guaranteed Performance (as the case may be), at a price to be determined as follow:

$$\text{Price} = 12.22 \times \left(\begin{array}{c} \text{2019 Actual} \\ \text{Performance or 2020} \\ \text{Actual Performance} \\ \text{(as the case may be)} \end{array} \right) \times \left(\begin{array}{c} \text{Percentage of equity} \\ \text{interests in} \\ \text{Huaqi Intelligent} \\ \text{held by Huaqi} \\ \text{Management Team} \\ \text{as at Completion} \\ \text{(being 5\%)} \end{array} \right) \times 30\% \times \frac{\text{2019 Actual Performance or 2020 Actual Performance (as the case may be)}}{\text{2019 Guaranteed Performance or 2020 Guaranteed Performance (as the case may be)}}$$

If the aggregate of the 2019 Actual Performance, the 2020 Actual Performance and the 2021 Actual Performance is equal to or greater than the 2019 Guaranteed Performance, the 2020 Guaranteed Performance and the 2021 Guaranteed Performance (in aggregate), Huaqi Management Team shall have the right to request the Company to purchase from them all of the remaining equity interests in Huaqi Intelligent then held by them (“**Option A**”) at a price to be determined as follows:

$$\text{Price} = 12.22 \times \text{2021 Actual Performance} \times \text{Percentage of equity interests in Huaqi Intelligent then held by Huaqi Management Team}$$

If Huaqi Management Team did not exercise its option to sell as set out above before 31 December 2022, such right to sell can be deferred for one year subject to the fulfilment of performance target to be determined by the board of directors of Huaqi Intelligent in 2022. If Huaqi Management Team did not exercise such option before 31 December 2023, such right to sell can be deferred subject to the fulfilment of performance target to be determined by the board of directors of Huaqi Intelligent in 2022 and 2023, but the latest time to exercise such right shall be 31 December 2024.

If, within six years from Completion, Huaqi Intelligent has not been listed on any of the stock exchange in the PRC or overseas, and subject to satisfaction of certain financial performance targets including the 2019 Actual Performance, the 2020 Actual Performance and the 2021 Actual Performance in aggregate is equal to or greater than the 2019 Guaranteed Performance, the 2020 Guaranteed Performance and the 2021 Guaranteed Performance in aggregate, the Huaqi Management Team shall have the right to request the Company to purchase all of the equity interests in Huaqi Intelligent held by Huaqi Management Team (“**Option B**”) at a price to be determined by the following:

$$\text{Price} = 12.22 \times \text{Actual consolidated net profit of Huaqi Intelligent during the year which is the sixth financial year from Completion} \times \text{Percentage of equity interests in Huaqi Intelligent then held by Huaqi Management Team}$$

Notwithstanding the above arrangement in relation to the options, the parties agreed that in the event that the 2021 Actual Performance is less than 90% of the 2021 Guaranteed Performance, then Huaqi Management Team shall not be entitled to exercise Option A and Option B.

The 2019 Actual Performance, the 2020 Actual Performance, the 2021 Actual Performance shall be determined according to the audited financial statements of Huaqi Intelligent for each of FY2019, FY2020 and FY2021, which shall be prepared in accordance with IFRS and reported by auditors appointed by the Company.

Having discussed with the management of Huaqi Intelligent during the negotiation of the Acquisition, the Board acknowledged (i) the current and potential business performance of Huaqi Group, including sale contracts and/or memoranda of understanding documents; (ii) sales target of Huaqi Group for FY2019, FY2020 and FY2021; and (iii) the technological capability of Huaqi Group for producing high-tech products such as on-board passenger information system. As such, the Directors consider that the abovementioned expected performance guarantee, impairment testing and options were determined after arm's length negotiations between the parties of the Acquisition after taking into account those factors.

The exercise of the abovementioned options are at Huaqi Management Team's discretion subject to the fulfilment of the Expected Performance Guarantee and/or other performance target(s) for the relevant period(s). The granting of such options as part of the Acquisition contemplated under the Acquisition Agreements constitutes a notifiable transaction for the Company under Chapter 14 of the Listing Rules, hence, is subject to Shareholders' approval at the EGM. The Company will by way of announcement update the Shareholders and investors whether the Expected Performance Guarantee is fulfilled as and where appropriate.

Acquisition Conditions Precedent

Completion of the Acquisition shall be conditional upon satisfaction (or where applicable, waiver by the parties to the Acquisition Agreements) of, among other things, the following conditions:

- (i) the Company having completed due diligence review in relation to legal compliance, finance and operation of Huaqi Intelligent, and the Company has an extensive knowledge in relation to Huaqi Intelligent;
- (ii) NetPosa having passed the resolutions of the board of directors in respect of the Acquisition;
- (iii) The sole equity holder of Huaqi Intelligent, namely NetPosa, having passed the relevant resolutions to approve the Acquisition;
- (iv) the Company having completed all internal procedures required in accordance with its articles of association, internal regulations and applicable laws and regulations in respect of the Acquisition, including the Board having passed the relevant resolutions to approve the Acquisition;
- (v) 北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Company Limited*, the controlling Shareholder of the Company) having approved the Acquisition Agreements and the transactions contemplated thereunder;
- (vi) the valuation in relation to the Sale Equity having been approved and filed with the relevant state-owned assets authority in the PRC;

- (vii) the Company having obtained all necessary approvals and consents from relevant regulatory authorities, including the relevant state-owned assets supervision and administration authority in the PRC and the Stock Exchange, in respect of the Acquisition Agreements and the transaction contemplated thereunder (if applicable); and
- (viii) the Shareholders having approved the Acquisition at the EGM in accordance with the Listing Rules and its articles of association.

None of the above Acquisition Conditions Precedent could be waived under the Acquisition Agreements. As at the date of this announcement, condition (i) (ii) (iv) (v) have been fulfilled. The valuation report in condition (vi) will be prepared by 北京中同華資產評估有限公司 (Beijing China Alliance Appraisal Co., Ltd.*) and the valuation is expected to adopt income approach and market approach. Income approach refers to the valuation which involves discounting the expected future cash flows to be generated by the Sale Equity. Market approach refers to valuation by taking into account the value of other market comparable companies or by comparing with recent sales of similar assets from market transactions. Set out below are the expected principal assumptions upon which the valuation is based:

- (1) the valuation is based on the actual status of the assets and the current national laws, regulations and relevant markets on the valuation date. Any material changes to market conditions as a result of any significant modifications of relevant national laws and regulations after the valuation date have not been taken into consideration;
- (2) assuming that there will not be material change to the management of Huaqi Group, business operation, business scope and prospects;
- (3) assuming there is no unforeseeable factors which may cause material adverse effect on the enterprise; and
- (4) assuming that the information supplied by Huaqi Group in respect of itself, including but not limited to financial information, is true, accurate and complete.

As the valuation report had not been finalised and approved by the relevant state-owned assets authority in the PRC as at the date of this announcement, the Company will make further announcement when the valuation report is finalised.

Completion

Completion shall take place within 20 Business Days after all the Acquisition Conditions Precedent to the Acquisition Agreements have been fulfilled (or, if applicable, waived by the parties to the Acquisition Agreements).

Upon completion of the Registration, Huaqi Intelligent will become a non-wholly owned subsidiary of the Company and the financial results of which will be consolidated into the financial statements of the Company.

INFORMATION ON HUAQI GROUP

Huaqi Intelligent is a company established in the PRC with limited liability in 2010. As at the date of this announcement, NetPosa beneficially owns the entire equity interests of Huaqi Intelligent. Pursuant to the Acquisition Agreements, the Company has conditionally agreed to acquire 95% of the equity interests in Huaqi Intelligent from NetPosa.

Headquartered in Suzhou, the PRC, Huaqi Group was founded in 2010 and is principally engaged in the provision of solutions of automation and information-based systems for transportation applications. It offers products, techniques, system integration, operation services and consultancy for high-speed railway, train, urban rail transit, interurban railway and urban railway in the PRC. Since 2016, Huaqi Group has expanded its customer coverage to other countries such as India. As at 30 September 2018, the products of Huaqi Group were equipped in railways covering more than 15 cities around the world. As at 30 September 2018, there were over 400 employees in Huaqi Group.

Huaqi Group operates in the railway transit industry and the railway transit information system market. It possesses the technology to produce on-board passenger information system (車載乘客信息系統) (“**on-board PIS**”), train control and remote diagnosis system and train network control system which are used on trains and railway transits. The on-board PIS is one of the six major information systems used in railway transportation. It acts as a communication medium between passengers and train stations or trains. Other than on-board PIS, Huaqi Group has developed a variety of high-tech products such as train control and remote diagnosis system, train network control system, subway ground passenger information system, etc.. Huaqi Group is the market leader in the on-board PIS market in the PRC.

Set out below are the major features of the on-board PIS, which is the major product of Huaqi Group:

- (i) monitoring and surveillance system: which is used for real-time monitoring and surveillance system inside train compartments by surveillance camera. The data obtained from the surveillance system is important for public security purpose and for ensuring passenger safety throughout the train journey;
- (ii) broadcast system: which is mainly used for internal communication system inside the train through loudspeakers and phones, and for the control of emergency alarms from passengers;
- (iii) passenger information display system: which is mainly used for display system of certain information for passengers inside train compartments and on exterior display screens on the train. The information displayed includes the destination of the journey, temperature outside train, speed of train, etc.; and
- (iv) entertainment system: which is mainly used for audio and video playing system of entertainment facilities in first-class and second-class compartments and business class seats in trains.

Huaqi Group develops, produces and sells on-board PIS to its customers which consists of different types of railway companies (including high-speed railway, train, urban railway, interurban railway) in the PRC and also abroad, and Huaqi Group also provides after-sales services to its customers.

Financial information of Huaqi Intelligent

Set out below is the audited consolidated financial information of Huaqi Intelligent prepared in accordance with the PRC GAAP for the years ended 31 December 2016 and 31 December 2017:

| | For the year ended 31 December 2016 (RMB'000) | For the year ended 31 December 2017 (RMB'000) |
|----------------------------|--|--|
| Net profit before taxation | 75,755 | 96,762 |
| Net profit after taxation | 65,375 | 82,019 |

The audited consolidated net asset value of Huaqi Intelligent was approximately RMB418,587,000 as at 30 September 2018.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group integrates investment and finance, research and development of technologies, intelligent railway transportation business and maintenance of application solution services, and implement the industry layout of “giving priority to intelligent railway transportation services and civil communication transmission services and supplementing with new business development through joint ventures and partnership”, thereby building a business layout of providing the whole life-cycle service for the development of urban railway transportation. The Group’s intelligent railway transportation services provides 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, so as to promote the development of urban rail transit systems from informationised business to intelligent business.

Huaqi Group is principally engaged in the provision of solutions of automation and information-based systems for transportation applications. It offers products, techniques, system integration, operation services and consultancy for high-speed railway, train, urban rail transit, interurban railway and urban railway in the PRC.

The Directors are of the view that the businesses and operations of Huaqi Group and the Group are similar. Huaqi Group principally engages in development, production and sales of on-board PIS, while the Group principally engages in production and sales of application solutions for railway transportations and related software and hardware systems, including the ground PIS. In terms of the nature of products produced by Huaqi Group and the Group, Huaqi Group principally engages in development, production and sales of software and hardware combined products, and the Group principally engages in providing integration services for railway transit system. The products produced by both Huaqi Group and the Group consist of PIS. Further, in terms of application of products produced by Huaqi Group and the Group, the products produced by both Huaqi Group and the Group are systems that were used in railway transportation. In particular, the on-board PIS produced by Huaqi Group is used inside train

compartments of various types of railway transportation including high-speed railway, train, urban railway, interurban railway, and the application solutions and ground PIS produced by the Group is used in train stations of urban railway. In addition, in terms of the end customers of the products produced by Huaqi Group and the Group, the end customers of both Huaqi Group and the Group partially overlap as the customers for both Huaqi Group and the Group include railway companies operating in Chengdu city, Shenzhen city and Hong Kong. However, Huaqi Group also serves customers from different parts of China and overseas such as India. In terms of suppliers, Huaqi Group mainly purchases electronic components and other assembling components (組成部件) from its suppliers which are mainly components manufacturers in the PRC, and it manufactures most of the structural components (構成部件) in its on-board PIS. The Group mainly purchases components from application solution producers in the PRC for assembling its intelligent railway transportation application solution systems, therefore, these components are purchased in a more advanced form for compilation and assembling into these application solution systems. Upon Completion, the Group will cooperate with Huaqi Group in respect of the software and hardware products for assembling the intelligent railway transportation application solution systems.

Upon completion of the Acquisition, there will be no fundamental change in the Company's principal business. The Directors believe that Huaqi Group, being the market leader in the on-board PIS market in the PRC and equipped with technical capabilities, can enhance the Group's competitiveness in its intelligent railway transportation business and enable the Group to offer more comprehensive products and solutions to meet the demands of its existing and potential customers, in particular, the provision of integrated products and services from ground PIS to on-board PIS. The Company believes that the Acquisition will also enable the Group to provide technological capability of producing on-board PIS obtained from Huaqi Group. The Group considers the Acquisition can complement the Group's development strategy regarding its intelligent railway transportation operations, which is in line with the "13th Five-Year Plan" and the national strategy of the "Belt and Road Initiative". It is expected that the Acquisition will contribute positively to the Group's market share in railway transportation systems in the PRC and enable the Group to expand its business to other countries in the world.

It is expected that upon Completion, Huaqi Group's business will be integrated into the Group's business in the following aspects:

1. Technological capabilities: Huaqi Group is a market leader in the on-board PIS market in the PRC and is equipped with strong technical capabilities in this field, while the Group has rich experience and technical capabilities in production of railway transportation systems including the ground PIS. Therefore, upon Completion, there can be an integration and exchange of technical capabilities between Huaqi Group and the Group, resulting in improvement and advancement in the technical capabilities of both of them.
2. Products: As set out above, in terms of the nature of products produced by Huaqi Group and the Group, Huaqi Group principally engages in development, production and sales of software and hardware combined products, while the Group is principally engaged in providing integration services for railway transit system. Upon Completion, the Group will cooperate with Huaqi Group in respect of the software and hardware products for assembling the intelligent railway transportation application solution systems. It is expected that the products produced by Huaqi Group and the Group will be able to cover a wider range along the production chain of application solutions and/or PIS.

3. Customers: As set out above, since both Huaqi Group and the Group produce systems which are used in railway transportation, they both share similar types of end customers. Upon Completion, the Company believes that the Group's customer base can be expanded to cover different types of railway companies in the PRC and abroad. The Group will be able to provide a larger variety of products to its existing and potential customers with the Group's existing products and Huaqi Group's products, in particular, the provision of integrated products and services from ground PIS to on-board PIS, thereby increasing the competitiveness of both the Group and Huaqi Group.
4. After-sales services: As at the date of this announcement, Huaqi Group has more than 40 after sales service centres in the PRC and abroad, while the Group is engaged in, among others, provision of maintenance of application solutions services to its customers. Upon Completion, it is expected that Huaqi Group and the Group will be able to share its resources in providing after-sales and maintenance services to their customers, thereby enhancing their efficiency and quality of services to be provided to their customers.

Further, through the Acquisition, the Group can acquire the well-established businesses of Huaqi Group with positive financial performance during the three years ended 31 December 2017 and nine months ended 30 September 2018. It is expected that income from Huaqi Group could enrich the Group's income stream and promote growth in its revenue and profits which will be beneficial to the Shareholders. With the above reasons, the Group considers that the Acquisition is beneficial to and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATION

As certain applicable percentage ratios in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and therefore the Company is subject to reporting, announcement and Shareholders' approval requirements.

THE EGM

The EGM will be convened and held for the Shareholders to consider, and if thought fit, approve, the Acquisition Agreements and the transactions contemplated thereunder, including the options to sell to be granted by the Company to Huaqi Management Team. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and hence no Shareholder is required to abstain from voting in respect of the ordinary resolution(s) to approve the Acquisition Agreements and the transactions contemplated thereunder, including the options to sell to be granted by the Company to Huaqi Management Team, at the EGM.

As additional time is required to prepare the financial information of Huaqi Group to be included in the circular, a circular containing, among other things, (i) details of the Acquisition; (ii) financial information of Huaqi Group; (iii) notice of the EGM; and (iv) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 28 February 2019 in order to allow sufficient time for the Company to prepare the required financial information and other relevant information for incorporating into the circular.

As Completion is subject to the fulfillment and/or waiver (as the case may be) of the conditions precedent as set out in the Acquisition Agreements, the Acquisition may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the securities of the Company.

DEFINITIONS

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| “2019 Actual Performance” | the audited consolidated net profit after taxation arising from ordinary course of business of Huaqi Intelligent based on the 2019 Audited Accounts, after deducting extraordinary items and one-off items |
| “2019 Audited Accounts” | the audited consolidated financial statements of Huaqi Intelligent for the year ending 31 December 2019 prepared in accordance with IFRS and reported by the auditors appointed by the Company |
| “2020 Actual Performance” | the audited consolidated net profit after taxation arising from ordinary course of business of Huaqi Intelligent based on the 2020 Audited Accounts, after deducting extraordinary items and one-off items |
| “2020 Audited Accounts” | the audited consolidated financial statements of Huaqi Intelligent for the year ending 31 December 2020 prepared in accordance with IFRS and reported by the auditors appointed by the Company |
| “2021 Actual Performance” | the audited consolidated consolidated net profit after taxation arising from ordinary course of business of Huaqi Intelligent based on the 2021 Audited Accounts, after deducting extraordinary items and one-off items |
| “2021 Audited Accounts” | the audited financial statements of Huaqi Intelligent for the year ending 31 December 2021 prepared in accordance with IFRS and reported by the auditors appointed by the Company |
| “Acquisition” | the sale and purchase of the Sale Equity from NetPosa to the Company |
| “Acquisition Agreements” | the conditional equity transfer agreements dated 29 November 2018 and entered into among the Company, NetPosa, Huaqi Intelligent and Mr. Liu, together with its ancillary agreements, including but not limited to agreements such as the acquisition framework agreement and the Expected Performance Guarantee Agreement, in relation to the Acquisition |

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| “Acquisition Conditions Precedent” | the conditions precedent in relation to the transfer of the Sale Equity from NetPosa to the Company (or its nominee) in accordance with the terms of the Acquisition Agreements |
| “BII Zhuoyue” | 北京京投卓越科技發展有限公司 (BII Technology Development Co., Ltd.*), a company established in the PRC with limited liability and, a wholly-owned subsidiary of the Company |
| “Board” | the board of Directors |
| “Business Day(s)” | a day(s) excluding Saturday, Sunday or public holiday as announced by the PRC government from time to time |
| “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 |
| “Completion” | completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreements |
| “connected person” | has the meaning ascribed to it under the Listing Rules and the word “connected” shall be construed accordingly |
| “Consideration” | the consideration payable for the Sale Equity under the Acquisition Agreements |
| “Deposit” | the deposit in the amount of RMB418,000,000 payable by the Company through BII Zhuoyue to NetPosa pursuant to the Acquisition Agreements |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened for the purpose of, among others, approving the Acquisition |
| “Expected Performance Guarantee” | collectively, the 2019 Guaranteed Performance, 2020 Guaranteed Performance and 2021 Guaranteed Performance |
| “Expected Performance Guarantee Agreement” | the agreement dated 29 November 2018 and entered into among the Company, NetPosa, Huaqi Intelligent, Mr. Liu and Huaqi Management Team in relation to the Expected Performance Guarantee |
| “FY2019” | the financial year ending 31 December 2019 |

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| “FY2020” | the financial year ending 31 December 2020 |
| “FY2021” | the financial year ending 31 December 2021 |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Huaqi Group” | Huaqi Intelligent and its subsidiaries |
| “Huaqi Intelligent” | 蘇州華啟智能科技有限公司 (Suzhou Huaqi Intelligent Technology Co., Ltd.*), a company established in the PRC with limited liability |
| “Huaqi Management Team” | collectively, 長興天越企業管理合夥企業(有限合夥) (Changxing Tianyue Corporate Management Partnership (Limited Partnership)*) and 長興祥悅企業管理合夥企業(有限合夥) (Changxing Xiangyue Corporate Management Partnership (Limited Partnership)*), both are limited partnership established in the PRC by the management staff of Huaqi Intelligent as at the date of this announcement |
| “IFRS” | International Financial Reporting Standards issued by International Accounting Standard Board |
| “independent third party(ies)” | person(s) who or company(ies) who is/are third party(ies) independent of the Company and its connected person |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Liu” | Mr. Liu Guang* (劉光), a shareholder who directly and indirectly held approximately 27.99% of equity interests in NetPosa as at the date of this announcement |
| “NetPosa” | 東方網力科技股份有限公司 (NetPosa Technologies Limited*), a company established in the PRC with limited liability, and the shares of which are listed on the Shenzhen Stock Exchange (SZSE: 300367) |
| “Net Profit” | the audited consolidated net profit after taxation arising from ordinary course of business of Huaqi Intelligent based on the 2019 Audited Accounts, 2020 Audited Accounts or 2021 Audited Accounts (as the case may be), after deducting extraordinary items and one-off items |

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| “PRC” | the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “PRC GAAP” | the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and other relevant accounting regulations as promulgated in the PRC |
| “Registration” | the registration of the Company (or its nominee) as the registered equity holder of Huaqi Intelligent at the relevant regulatory bodies in the PRC |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale Equity” | 95% of the equity interests in Huaqi Intelligent |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | the shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Term Sheet” | the non-legally binding (other than the provisions relating to exclusivity and confidentiality) term sheet dated 22 October 2018 and entered into among the Company, NetPosa, Huaqi Intelligent and Mr. Liu in relation to the Acquisition |
| “%” | per cent |

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

Hong Kong, 29 November 2018

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

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

* *For identification purposes only*