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

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)

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



CONTINUING CONNECTED TRANSACTIONS

I. THE NEW BII SERVICES FRAMEWORK AGREEMENT

The Board announces that on 17 December 2021, the Company entered into (i) the New BII Services Framework Agreement; and (ii) the Beijing Information Services Framework Agreement with BII and Beijing Information respectively, pursuant to which (i) the Group would provide BII, its respective subsidiaries and/or associates with Services I; and (ii) Beijing Information, its respective subsidiaries and/or associates would provide the Group with Services II.

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 (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 will expire after 31 December 2021 and the Group is contemplating to continue the 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, the year ended 31 December 2020 and the year ending 31 December 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 ending 31 December 2021 has not been exceeded as at the date of this announcement.

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).

II. 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 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 share capital 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; and (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 ending 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 shareholding 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.

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 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, subject to the Beijing Information Independent Shareholders' approval.

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).

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 date of this announcement, approximately 51.61% of the existing share capital 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.

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.

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.

GENERAL

The EGM will be convened to consider 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. A circular including, among other things, (i) a letter from the Board containing further details of each of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement; (ii) a letter from the Independent Board Committee, setting out its recommendations in connection with the transactions contemplated under (a) the New BII Services Framework Agreement and the related proposed annual caps to the BII Independent Shareholders; and (b) the Beijing Information Services Framework Agreement and the related proposed annual caps to the Beijing Information Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice in connection with the transactions contemplated under (a) each of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement, and their respective proposed annual caps, to the Independent Board Committee; (b) the New BII Services Framework Agreement and the related proposed annual caps, to the BII Independent Shareholders; and (c) the Beijing Information Services Framework Agreement and the related proposed annual caps, to the Beijing Information Independent Shareholders; and (iv) the notice of the EGM, which will be despatched to the Shareholders on or before 10 January 2022.

INTRODUCTION

The Board announces that on 17 December 2021, the Company entered into (i) the New BII Services Framework Agreement; and (ii) the Beijing Information Services Framework Agreement with BII and Beijing Information respectively, pursuant to which (i) the Group would provide BII, its respective subsidiaries and/or associates with Services I; and (ii) Beijing Information, its respective subsidiaries and/or associates would provide the Group with Services II.

I. THE NEW BII SERVICES FRAMEWORK AGREEMENT

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.

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 will expire after 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, the year ended 31 December 2020 and the year ending 31 December 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 ending 31 December 2021 has not been exceeded as at the date of this announcement.

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;
- (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 development outlook of the railway transportation industry in the PRC for the next three years, 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
- (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.

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.

II. 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 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 share capital 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; and (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 ending 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 shareholding 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.

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 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
- (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 communication services.

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.

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 each of (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:

- (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

- (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.

INFORMATION ON THE PARTIES

The Company and the Group

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

BII

BII is a company established in the PRC as at the date of this announcement. BII held approximately 55.20% 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 date of this announcement. 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.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

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 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;
- (ii) 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
- (iii) 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 date of this announcement, approximately 51.61% of the existing share capital 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.

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 date of this announcement, 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 date of this announcement, 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.

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.

GENERAL

The EGM will be convened to consider 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. A circular including, among other things, (i) a letter from the Board containing further details of each of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement; (ii) a letter from the Independent Board Committee, setting out its recommendations in connection with the transactions contemplated under (a) the New BII Services Framework Agreement and the related proposed annual caps to the BII Independent Shareholders; and (b) the Beijing Information Services Framework Agreement and the related proposed annual caps to Beijing Information Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice in connection with the transactions contemplated under (a) each of the New BII Services Framework Agreement and the Beijing Information Services Framework Agreement, and their respective proposed annual caps, to the Independent Board Committee; (b) the New BII Services Framework Agreement and the related proposed annual caps, to the BII Independent Shareholders; and (c) the Beijing Information Services Framework Agreement and the related proposed annual caps, to Beijing Information Independent Shareholders; and (iv) the notice of the EGM, which will be despatched to the Shareholders on or before 10 January 2022.

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 non-compliance 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 announcement, 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 shareholding 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 shareholding 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;
- (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.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Beijing 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 date of this announcement
“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 the 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 date of this announcement
“BII”	北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Co., Ltd.*), a company established in the PRC with limited liability and 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 date of this announcement
“BII HK”	Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司), a wholly-owned subsidiary of BII incorporated in Hong Kong with limited liability and a controlling Shareholder which held approximately 55.20% of the total issued Shares as at the date of this announcement
“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
“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
“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 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
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

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

Hong Kong, 17 December 2021

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\$1.22.

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

* *For identification purposes only*