

10 December 2024

*To: The independent board committee and the independent shareholders of  
BII Railway Transportation Technology Holdings Company Limited*

Dear Sir/Madam,

## CONTINUING CONNECTED TRANSACTION

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2024 BII Services Framework Agreement (including the proposed annual caps) (the “Transaction”), details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 10 December 2024 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, as the term of the 2021 BII Services Framework Agreement will expire after 31 December 2024 and the Group is contemplating to continue the underlying continuing connected transactions with BII, on 23 October 2024, the Company entered into the 2024 BII Services Framework Agreement with BII to renew the term of the 2021 BII Services Framework Agreement. Pursuant to the 2024 BII Services Framework Agreement, the Group would provide BII, its respective subsidiaries and/or associates (the “BII Group”) with the Services for the three years ending 31 December 2027.

With reference to the Board Letter, the Transaction constitutes continuing connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Luo Zhenbang, Mr. Huang Lixin and Mr. Li Wei (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transaction are on normal commercial terms and are fair and reasonable; (ii) whether the Transaction is conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transaction at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

## INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in relation to the connected transaction as set out in the Company's circular dated 21 November 2024. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company during the past two years immediately preceding the Latest Practicable Date. Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

## BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company. We have assumed that all information and representations that have been provided by the Company, for which it is solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transaction. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statements therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, BII or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

### **Background of and reasons for the Transaction**

#### *Information on the Group*

With reference to the Board Letter, the Group is a high-tech enterprise group specialising in integrating investment and financing, technology research, and intelligent railway transportation construction, operation and maintenance. With the mission of “empowering railway transportation with intelligent technology”, and the strategic direction of “focusing on integrated innovation and becoming a leading rail transit smart systems service provider in the PRC” and building a technological ecosystem, the Group aims to be an international leader in smart rail transit.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2023 and for the six months ended 30 June 2024 (together with comparative figures) as extracted from the Company's annual report for the year ended 31 December 2023 (the "2023 Annual Report") and the Company's interim report for the six months ended 30 June 2024 (the "2024 Interim Report"):

	For the six months ended 30 June 2024 HK\$'000 (unaudited)	For the six months ended 30 June 2023 HK\$'000 (unaudited)	Year-on- year change %	For the year ended 31 December 2023 HK\$'000 (audited)	For the year ended 31 December 2022 HK\$'000 (audited)	Year-on- year change %
Revenue	468,982	473,188	(0.89)	1,637,181	1,638,948	(0.11)
– Intelligent passenger information services	167,374	243,942	(31.39)	770,937	742,217	3.87
– Data and integration services	165,240	143,247	15.35	577,432	662,014	(12.78)
– Intelligent infrastructure	136,368	85,999	58.57	288,812	234,717	23.05
Gross profit	189,650	188,375	0.68	591,007	586,299	0.80
Profit for the year/period	3,645	2,632	38.49	185,728	184,999	0.39

As depicted in the above table, the Group's revenue slightly decreased from approximately HK\$1,638.9 million for the year ended 31 December 2022 ("FY2022") to approximately HK\$1,637.2 million for the year ended 31 December 2023 ("FY2023"), representing a decrease of approximately 0.11%. With reference to the 2023 Annual Report, such decrease was mainly due to the impact of exchange rate between Hong Kong dollar and Renminbi ("RMB"). The Group's revenue for FY2023 was equivalent to approximately RMB1,475.3 million, representing a year-on-year increase of approximately 4.3% as compared with the revenue recorded in RMB for FY2022.

Notwithstanding the aforesaid decrease in the Group's revenue, the Group's gross profit for FY2023 increased by approximately 0.80% as compared to that for FY2022; while the Group's gross profit margin for FY2023 increased by approximately 0.33 percentage points as compared to that for FY2022. As a result of foregoing, the Group's profit increased from HK\$185.0 million for FY2022 to approximately HK\$185.7 million for FY2023.

The Group's revenue for 1H2024 slightly decreased by approximately 0.89% as compared to that for the corresponding period in 2023. The Group's revenue from intelligent passenger information services, data and integration services and intelligent infrastructure accounted approximately 35.69%, 35.23% and 29.08% of the Group's revenue for 1H2024, respectively. The Group's gross profit for 1H2024 slightly increased by approximately 0.68% as compared to that for the corresponding period in 2023, while the Group's gross profit margin for 1H2024 was approximately 40.44%, representing an increase of approximately 0.63 percentage points as compared to that for the corresponding period in 2023.

The Group's profit for 1H2024 was approximately RMB3.6 million, representing an increase of approximately 38.49% as compared to that for the corresponding period in 2023. With reference to the 2024 Interim Report, such increase was mainly due to decrease in (i) selling, general and administrative expenses; (ii) impairment loss on trade, bills and other receivables and contract assets; (iii) research and development expenses, partially offset by the decrease in share of profits of joint ventures and associates and the increase in fair value loss on other financial assets.

As at 30 June 2024, the Group's businesses covered 55 cities in 28 provinces, municipalities, autonomous regions and special administrative regions in China, where it provided products and services, including Intelligent Passenger Information Services, Data and Integration Services, and Intelligent Infrastructure. As for overseas market, it has expanded into 30 cities in 19 overseas countries and regions.

#### *Information on BII*

With reference to the Board Letter, BII is a company established in the PRC and 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. As at the Latest Practicable Date, BII is interested in approximately [55.20]% of the Shares through its wholly-owned subsidiary, namely BII HK. BII is an ultimate controlling shareholder of the Company and thus a connected person of the Company.

#### *Reasons for and benefits of the Transaction*

With reference to the Board Letter, the transactions contemplated under the 2024 BII 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 the BII Group and the Group, the Directors consider members of the BII Group are reliable business partners and further business cooperation will be beneficial to and provide a steady income stream to the Group.

Upon our enquiry, the Directors advised us that the revenue generated from the Services provided to the BII Group has been accounted for revenue under the Group's three existing segments, namely, intelligent passenger information services; data and integration services; and intelligent infrastructure.

Having considered the above, we are of the view that the Transaction is conducted in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

### **Principal terms of the Transaction**

Set out below are the principal terms of the Transaction, details of which are set out under the section headed “2. THE 2024 BII SERVICES FRAMEWORK AGREEMENT” of the Board Letter:

#### *Agreement date*

23 October 2024

#### *Parties*

- (1) The Company; and
- (2) BII.

#### *Term*

The 2024 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 Independent Shareholders in relation to the transactions contemplated under the 2024 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 2024 BII Services Framework Agreement.

Subject to the fulfilment of the above conditions precedent, the 2024 BII Services Framework Agreement shall be effective between 1 January 2025 and 31 December 2027.

#### *Provision of the Services*

Pursuant to the 2024 BII Services Framework Agreement, the Group agrees to provide the Services to the BII Group during the term of the 2024 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 the Services.

#### *Transaction principles*

Pursuant to the 2024 BII Services Framework Agreement, the Group and the BII Group, will enter into individual agreements in relation to the provision of the Services, 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 and internal control*

Pursuant to the 2024 BII Services Framework Agreement, the price of the transactions contemplated thereunder will be determined as follows:

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

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

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

“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: (a) 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 (b) where (a) 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.

As advised by the Directors, it is seldom that the pricing principles of government-prescribed price or the government-guided prices are applicable to the Services given the distinctiveness of each individual projects. The pricing principles of government-prescribed price or the government-guided prices had not been applicable for the Group's transactions under the 2021 BII Services Framework Agreement for each of FY2022, FY2023 and 1H2024.

With reference to the Board Letter, in determining the reasonable profit based on the fourth price determination method, the Company will take into account, among others, (i) the complexity and specifications of the Services to be provided; (ii) the Group's available resources at the material time; (iii) the general economic environment; and (iv) market practice. When implementing the fourth price determination method, the Company will endeavour to make reference to the recent price and gross profit margin of at least two similar services provided by the Group to its customers to ensure the reasonableness and fairness of the amount of the profit. As only few historical transactions between the Group and BII under the 2021 BII Services Framework Agreement adopted the fourth price determination method, the Directors expect that the fourth price determination method will only be adopted in a minimal number of transactions during the term of the 2024 BII Services Framework Agreement.

For our due diligence purpose, we obtained from the Company a list of transactions entered into between the Group and the BII Group for each of FY2022, FY2023 and 1H2024. From the aforesaid lists, we randomly selected three projects for each of FY2022, FY2023 and 1H2024 (i.e. nine projects in total) and obtained (i) the relevant project contracts and the tender evaluation and results (in the case where the Group was selected by tender process); or (ii) the relevant project contracts, together with project contracts of similar type of projects entered into between the Group and independent third parties for comparison (in the case where the Group was selected not by tender process). As the sampling was conducted on random selection basis and covered the historical transaction period (up to the latest available month), and the transaction amounts of the sampled projects accounted for approximately 19%, 28% and 29% of the total transaction amount for FY2022, FY2023 and 1H2024, respectively, we consider the number of transactions reviewed to be sufficient from an independent financial adviser's perspective.

Based on the sampled documents, we noted that (i) for the projects where the Group was selected by tender process, the tenderee would assess the tenders submitted by each of the tenderer (including the Group) with reference to factors such as qualification of the tenderers, tender prices and service/delivery period; and (ii) for the projects where the Group was selected not by tender process, the prices charged by the Group to BII Group were no less favourable to the Group than those charged by the Group to independent third parties (the "Results of Sampling Review").

With reference to the 2023 Annual Report, the independent non-executive Directors confirmed that the continuing connected transactions entered into by the Group (including the transactions contemplated under the 2021 BII Services Framework Agreement) for FY2023 were in the ordinary and usual course of its business, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and in accordance with the terms of the agreement governing



such transactions that are fair and reasonable and in the interests of the Shareholders as a whole (the “INEDs Confirmation”). In addition, the Company’s auditor was engaged to report on the Group’s continuing connected transactions (including the transactions contemplated under the 2021 BII Services Framework Agreement) in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules, issued by Hong Kong Institute of Certified Public Accountants. The auditor issued its unqualified letter containing the auditor’s findings and conclusions in respect of the continuing connected transactions disclosed by the Group (including the transactions contemplated under the 2021 BII Services Framework Agreement) for FY2023 in accordance with the Listing Rules 14A.56 (the “Auditor Confirmation”).

With reference to the Board Letter, the Group adopted internal control measures as set out under the section headed “Internal control measures” of the Board Letter (the “IC Measures”) to ensure the Services provided by the Company under the 2024 BII Services Framework Agreement are (a) on normal commercial terms; and (b) in accordance with respective terms of the 2024 BII Services Framework Agreement. Having taken into account that the IC Measures include:

- (i) the Group’s business department will prepare an estimate of costs and price of the possible connected transaction based on the relevant rules and regulations announced by the government and/or the industry association(s), as well as the market price which is expected to be payable by independent third party in respect of the provision of similar services by the Group;
- (ii) based on the information of the possible connected transaction and the estimates of the costs and price, the operations management department, finance department, legal and audit department and the Company’s external advisers will review and confirm the terms of the possible connected transaction, including but not limited to whether the terms and price are fair and reasonable, and the settlement terms and compliance matters;
- (iii) approvals by internal departments and the Group’s management, and monitoring by the Group’s finance department and legal department; and
- (iv) independent non-executive Directors and the Company’s auditor’s annual review/report,

we consider that implementation of the IC Measures would ensure fair pricing of the Transaction.

Having considered the Results of Sampling Review, the INEDs Confirmation and the Auditor Confirmation, we do not doubt the implementation of the IC Measures.

*Proposed annual caps*

Set out below are (i) historical amounts and existing annual caps (the “Existing Cap(s)”) of the Transaction for the three years ending 31 December 2024; and (ii) the proposed annual caps (the “Proposed Cap(s)”) for the three years ending 31 December 2027:

	For the year ended 31 December 2022 RMB million	For the year ended 31 December 2023 RMB million	For the year ending 31 December 2024 RMB million
Historical transaction amounts	240	328	125 (Note)
Existing Caps	600	800	900
Utilization rate	40%	41%	N/A
	For the year ending 31 December 2025 ("FY2025") RMB million	For the year ending 31 December 2026 ("FY2026") RMB million	For the year ending 31 December 2027 ("FY2027") RMB million
Proposed Caps	900	1,100	1,100

*Note: The figure is for the six months ended 30 June 2024.*

As depicted from the table above, the utilisation rates of the Existing Caps for the two years ended 31 December 2023 were low and the historical transaction amount for 1H2024 only represented approximately 14% of the Existing Cap for the year ending 31 December 2024. We enquired into the Directors regarding the low utilisation of the Existing Caps and the Directors advised us that the low utilisation of the Existing Caps might be caused by unexpected delay in BII Group’s project schedules which were affected by market conditions and economic environment.

The Proposed Caps were determined with reference to the factors as set out under the section headed “The proposed annual caps” of the Board Letter. For our due diligence purpose, we obtained the calculation of the Proposed Caps (the “Calculation”) from the Company.

Based on the Calculation, the Proposed Caps for the three years ending 31 December 2027 were calculated based on (i) the estimated transaction amount for each of the three years ending 31 December 2027 (the “Estimated Amount”); and (ii) a top-up buffer of approximately 5% on the Estimated Amount (the “Buffer”).

The Estimated Amount is the sum of the following amounts:

- (i) Estimated transaction amount in relation to orders on hand as at 30 June 2024.

For our due diligence purpose, we obtained from the Company its record for orders on hand as at 30 June 2024, together with its estimation on the transaction amount to be conducted during each of the three years ending 31 December 2027. We noted that the aforesaid record and estimation are consistent with the relevant estimated transaction amounts under the Calculation.

- (ii) Estimated transaction amount in relation to projects with signed contracts and/or expected renewal during the three years ending 31 December 2027, the amount of which was not included in item (i) above.

For our due diligence purpose, we obtained from the Company extracts of relevant contracts and noted that the information contained therein is consistent with the relevant estimated transaction amounts contained in the Calculation.

- (iii) Estimated transaction amount for projects which the Group was selected/expected to be selected as service provider and/or with expected renewal during the three years ending 31 December 2027, pending for signing contracts.

For our due diligence purpose, we obtained from the Company certain supporting documents regarding the aforesaid projects such as notices of service provider selection and previously signed contracts (for reference of estimated transaction amounts). We noted that the information contained in the aforesaid supporting documents are consistent with the relevant estimated transaction amounts under the Calculation.

- (iv) Estimated transaction amount for projects which the Group is expected to be engaged (the “Potential Projects”), subject to successful tender or internal approval procedure of the BII Group.

As advised by Directors, these projects mainly include (a) projects in relation to construction/operation of Beijing Subway Line 3, Beijing Subway Line 22 and Beijing Subway Line 28 under 《北京城市軌道交通第二期建設規劃》 (Beijing Urban Rail Transit Phase II Construction Plan\*), Beijing Subway Line 1 branch line and Beijing Subway M101 Line under 《北京城市軌道交通第三期建設規劃》 (Beijing Urban Rail Transit Phase III Construction Plan\*) and first phase of the Urumqi Line 2 under 《烏魯木齊市城市軌道交通近期建設規劃》 (Urumqi Urban Rail Transit Recent Construction Plan\*) (as adjusted); and (b) projects for existing lines.

The Directors also advised us that the estimated transaction amount for the Potential Projects were based on (a) transaction amounts of historical projects in similar nature (“Reference Projects”), according to relevant signed

contracts and adjusted by various factors such as project size and expected scope of work; or (b) transaction amounts indicated in relevant tender documents.

For our due diligence purpose, we (i) obtained from the Company extracts of signed contracts of the Reference Projects and discussed the adjustment factors with the Company as mentioned above; and (ii) obtained from the Company copies of the aforesaid tender documents.

Based on the Calculation, (a) the sum of items (i), (ii) and (iii) above accounted for approximately 40% to 58% of the Estimated Amount; and (b) item (iv) above accounted for approximately 42% to 60% of the Estimated Amount, for each of the three years ending 31 December 2027.

We noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in determining proposed annual caps is not uncommon among Hong Kong listed companies. Accordingly, we consider the Buffer, which is lower than 10%, to be reasonable.

Having considered the above, we are of the view that the Proposed Caps for the three years ending 31 December 2027 are fair and reasonable.

Shareholders should note that the Proposed Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and they do not represent forecasts of revenue or income to be generated from the Transaction. Consequently, we express no opinion as to how closely the actual revenue or income to be generated from the Transaction will correspond with the Proposed Caps.

We noticed that the Proposed Caps represented over 50% of the Group's revenue for FY2023. With reference to the Board Letter:

- (i) Taking into account BII, its subsidiaries and/or associates, being reliant and dependent on the Group for the procurement of the Services in view of the Group's leading position in the industry, the reliance between the Group and BII in relation to the provision of the Services is mutual and complementary.
- (ii) Given that there are barriers to enter the railway transportation industry due to the need to comply with governmental policies and obtaining of government approval, it is industry norm to have one major railway transportation service provider in each city in the PRC, and that BII is the only railway transportation provider in Beijing and the sole owner of Beijing Rail Transit. Therefore, it is also the industry practice for the Group to be reliant on BII to engage the Group for the provision of the Services in Beijing, and there are no substitute customers of similar calibre to the Group for the provision of the Services in Beijing.

We also noted from the Board Letter that the Group has a diversified business model which provides it with a wide variety of substitute customers: (a) regarding the Group's intelligent passenger information services business segment, the Group's main customers include major vehicle OEM (original equipment manufacturer) factories globally; (b) regarding the Group's data & integration services business segment, the Group's main customer is BII (i.e. the only railway transportation provider in Beijing), but the Group has substitute customers of similar calibre as BII in other cities in the PRC; and (c) regarding the Group's intelligent infrastructure business segment, continuing connected transactions with BII accounts for only a small portion of revenue derived from such segment, and the Group is continuously expanding its "Intelligent+" services business, thus there will be a continuous increase in number of customers for this segment.

Having considered the above, we are of the view that it is not a disadvantage to the Group to set the Proposed Caps at over 50% of the Group's revenue for FY2023.

In light of the above, we consider that the terms of the Transaction (including the Proposed Caps) are on normal commercial terms and are fair and reasonable.

#### **Listing Rules implications**

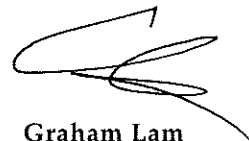
The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transaction must be restricted by the Proposed Caps for the period concerned under the 2024 BII Services Framework Agreement; (ii) the terms of the Transaction (including the Proposed Caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transaction (including the Proposed Caps) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transaction (i) has not been approved by the Board; (ii) was not, in all material respects, in accordance with the pricing policies of the Group; (iii) was not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) has exceeded the Proposed Caps. In the event that the total amounts of the Transaction are anticipated to exceed the Proposed Caps, or that there is any proposed material amendment to the terms of the 2024 BII Services Framework Agreement, as confirmed by the Directors, the Company shall re-comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transaction and thus the interest of the Independent Shareholders would be safeguarded.

## RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transaction are on normal commercial terms and are fair and reasonable; and (ii) the Transaction is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transaction and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**



**Graham Lam**  
Managing Director

*Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 30 years of experience in investment banking industry.*

\* For identification purpose only