

8 May 2025

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

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS PROCUREMENT SERVICES FRAMEWORK AGREEMENT

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 Procurement 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 8 May 2025 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, on 26 February 2025, the Company entered into the Procurement Services Framework Agreement with BII, pursuant to which the Group would procure the Services from BII, its respective subsidiaries and/or associates. 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 Ms. Ng Wing Yan Claudia (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 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 (i) the connected transaction as set out in the Company's circular dated 21 November 2024; (ii) the continuing connected transaction as set out in the Company's circular dated 10 December 2024; and (iii) the continuing connected transaction as set out in the Company's announcement dated 19 December 2024. Save for the aforesaid engagements, 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 engagements, 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, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in 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 audited consolidated financial information of the Group for the two years ended 31 December 2024 as extracted from the Company's annual report for the year ended 31 December 2024 (the "2024 Annual Report"):

	For the year ended 31 December 2024 HK\$'000	For the year ended 31 December 2023 HK\$'000	Year-on-year change %
Revenue	1,656,773	1,637,181	1.20
– <i>Intelligent passenger information services</i>	755,912	770,937	(1.95)
– <i>Data and integration services</i>	515,589	577,432	(10.71)
– <i>Intelligent infrastructure</i>	385,272	288,812	33.40
Gross profit	619,687	591,007	4.85
Profit for the year	179,507	185,728	(3.35)

As depicted in the above table, the Group's revenue slightly increased from approximately HK\$1,637.2 million for the year ended 31 December 2023 ("FY2023") to approximately HK\$1,656.8 million for the year ended 31 December 2024 ("FY2024"), representing an increase of approximately 1.20%. With reference to the 2024 Annual Report, such increase was mainly due to the surge in revenue from the Intelligent Infrastructure Segment as a result of the recognition of revenue from key projects, partially offset by decrease in revenue from intelligent passenger information services and data and integration services due to varying progress cycles of key projects and small scale of key projects that reached revenue recognition point.

Along with the aforesaid increase in the Group's revenue, the Group's gross profit for FY2024 increased by approximately 4.85% as compared to that for FY2023; while the Group's gross profit margin for FY2024 increased by approximately 1.30 percentage points as compared to that for FY2023. Notwithstanding the aforesaid increase in revenue and gross profit, the Group's profit decreased from approximately HK\$185.7 million for FY2023 to approximately HK\$179.5 million for FY2024, primarily due to the increase in net impairment loss on trade, bills receivables, other receivables and contract assets and increase in income tax expenses.

With reference to the 2024 Annual Report, in 2024, the Group adhered to its market strategy of "relying on Beijing and Hong Kong, stepping up its presence nationwide, and exploring international markets". The Group has expanded into overseas markets in Egypt, Chile, the Netherlands and the Philippines for the first time. The Group continued to broaden its business footprint, reaching a total of 55 cities in the PRC and 32 cities in 20 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, due to the continuous development of the Group's business in recent years, the scope of its integration-related business has expanded. At the same time, the overall development trend of intellectualisation in the rail transportation industry has become more prominent. In order to ensure the smooth implementation of the aforementioned business areas, the Group will need to carry out the procurement of products and services in the relevant fields. BII has been coordinating and promoting the intelligent development of Beijing's rail transportation for a long period of time, and its business scope covers the entire rail transportation industry chain, which includes, among others, vehicle manufacturing and command scheduling, and thus it possesses a wide range of intelligent product and technological resources and professional service capabilities. As BII's intelligent products and services are suitable to the business requirements of the Group, BII may become a supplier of the Group in the future.

The Services under the Procurement Services Framework Agreement include 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, civil communications construction management and other types of ancillary services to be agreed by the parties in writing from time to time. Further details and nature of the Services are set out in the Board Letter. As advised by the Directors, the Services are expected to be procured (i) for support the Group's provision of services to customers for the projects that the Group engaged in (mainly related to data and integration services segment (the "Data & Integration Services Segment")); and (ii) for the Group's other operational maintenance (mainly related to intelligent infrastructure segment (the "Intelligent Infrastructure Segment")).

With reference to the Board Letter, a high degree of integration is required in two of the Group's business segments, being the Data & Integration Services Segment and the Intelligent Infrastructure Segment. Delivery of projects not only requires products manufactured by the Group, but also a large quantity of products manufactured third party suppliers. All qualified suppliers, including BII, have equal opportunities to participate in or be selected through the Group's procurement process. Successful procurement of these products enhances the Group's capabilities to fulfil its contractual obligations and provides backup for the delivery of the Group's business projects in

relation to integration. This could, in turn, develop the Group's experience and reputation and increase the Group's orders resulting from integration business projects. For avoidance of doubt, we confirmed with the Directors that there is no obligation for the Group to select BII, its subsidiaries and/or associates as supplier(s) for the Services under the Procurement Services Framework Agreement. The selection of the Group's suppliers is subject to the Group's internal procedures (including pricing policies).

Having considered the aforesaid, we concur with the Directors that the Transaction will be conducted in the ordinary and usual course of business of the Group and are in the interest of the Company and 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 PROCUREMENT SERVICES FRAMEWORK AGREEMENT" of the Board Letter:

Agreement date

26 February 2025

Parties

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

Procurement of the Services

Pursuant to the Procurement Services Framework Agreement, BII, its subsidiaries and/or associates agrees to provide the Services to the Group during the term of the Procurement Services Framework Agreement, provided that (i) BII, its subsidiaries and/or associates is/are 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.

Pricing principles

Pursuant to the Procurement 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 Pricing Principle”);

“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

As advised by the Directors, the Market Price Pricing Principle is feasible as there are independent third party suppliers which can offer the Services.

- (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.

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 general economic environment; and (iii) 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 procured by the Group to ensure the reasonableness and fairness of the amount of the profit.

We consider the above that the pricing policies will ensure fair pricing of the Transaction.

Proposed annual caps

Set out below are the proposed annual caps in respect of the Transaction 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 ended 31 December 2024 RMB million
Historical transaction amounts	0.772	1.522	1.653
	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 RMB million
Proposed annual caps	130	140	150

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

Based on the Calculation, the proposed annual caps for the three years ending 31 December 2027 were calculated based on:

- (i) the estimated transaction amount in relation to 14 rail transit related business orders (the "Business Orders") that the Group is expected to procure for supporting the Group's provision of services to customers for the projects in which the Group is expected to be engaged (the "Potential Projects") (the "Project-based Amount");
- (ii) the estimated transaction amount in relation to other operational maintenance (the "Other Operational Maintenance Amount");
- (iii) the Project-based Amount and the Other Operational Maintenance Amount represent approximately 96% and 4% of the total estimated transaction amount respectively; and
- (iv) round-up buffers ranging from approximately 3% to 6% of the total estimated transaction amount for each year.

In respect of the Project-based Amount, the Directors advised us that such amount was estimated based on (i) Potential Projects in which the Group is expected to engage; (ii) corresponding project items that the Group is required to procure; and (iii) cost estimation for corresponding project items that the Group is required to procure. The Company also provided us certain supporting documents/information in respect of the aforesaid cost estimation.

As advised by the Directors, (i) the Potential Projects are expected to be commenced and/or conducted during the three years ending 31 December 2027; (ii) the Group had been engaged as a service provider for one of the Potential Projects (the “Engaged Project”); and (iii) the Group is expected to be engaged in the other Potential Projects, subject to successful tenders or internal approval procedures of the customers. We noted from the Calculation that the Engaged Project requires two of the Business Orders, the aggregated amount of which represented approximately 73% and 30% of the Project-based Amount for FY2025 and FY2026 respectively.

For our due diligence purpose, we obtained from the Company (i) copies of the notice of service provider selection and engagement contract regarding the Engaged Project; and (ii) the Group’s internal tender record for one of the Business Orders required for the Engaged Project (as advised by the Directors, the Group has not commenced procurement procedures for the other Business Order required for the Engaged Project) which followed the Market Price Pricing Principle.

In respect of the Other Operational Maintenance Amount, the Directors advised us that such amount was estimated based on relevant historical amount and expected business expansion of the Group in the PRC (including Beijing along with the development of Beijing metro lines).

In respect of the round-up buffers ranging from approximately 3% to 6% of the total estimated transaction amount for each of the three years ending 31 December 2027, we noted from other Hong Kong listed companies’ circulars regarding continuing connected transactions published during the period from 1 February 2025 to 26 February 2025 (being the date of the announcement in relation to the Transaction) that 4 out of 8 circulars published during the said period contained continuing connected transactions which incorporated buffer of 10% or less in determining their annual caps. The incorporation of buffer of less than 10% in determining proposed annual caps is not uncommon among Hong Kong listed companies. Accordingly, we consider the aforesaid round-up buffers, which are lower than 10%, to be reasonable.

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

Shareholders should note that the proposed annual 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 costs to be incurred from the Transaction. Consequently, we express no opinion as to how closely the actual costs to be incurred from the Transaction will correspond with the proposed annual caps.

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

Listing Rules implications

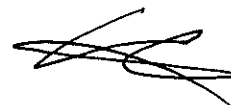
The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transaction must be restricted by the annual caps for the period concerned under the Procurement Services Framework Agreement; (ii) the terms of the Transaction (including the annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Transaction (including the annual 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 annual caps. In the event that the total amounts of the Transaction are anticipated to exceed the annual caps, or that there is any proposed material amendment to the terms of the Procurement 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.