

29 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
COOPERATION AGREEMENT
REGARDING CIVIL COMMUNICATION BUSINESS**

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 Cooperation 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 29 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 19 December 2024, BII Zhuoyue entered into the Cooperation Agreement with BII in relation to the provision of Resources by BII for the civil communication transmission business in the subway lines of the Beijing Subway (the “Civil Communication Transmission Business”). 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 circular dated 8 May 2025. 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
– Intelligent passenger information services	755,912	770,937	(1.95)
– Data and integration services	515,589	577,432	(10.71)
– Intelligent infrastructure (the "Intelligent Infrastructure Segment")	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 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.

As depicted from the above table, the Intelligent Infrastructure Segment revenue represented approximately 18% and 23% of the Group's total revenue for FY2023 and FY2024 respectively. Based on the information provided by the Company, revenue generated from the Civil Communication Transmission Business (i) has been included in the Intelligent Infrastructure Segment revenue; and (ii) represented approximately 12% and 13% of the Group's total revenue for FY2023 and FY2024 respectively.

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:

- (a) Since the acquisition of the Civil Communication Assets in 2014, the Group has been utilising the Resources for the development of the Civil Communication Transmission Business. BII Zhuoyue receives income from renting and licensing the use of the civil communication transmission systems (the “Systems”) of the subway lines of the Beijing Subway (i.e. the Civil Communication Transmission Business). The Systems are rented and licenced to mobile telecommunications operators for their provision of voice and data services for mobile devices in the Beijing Subway.
- (b) Since 2014 and up to late November 2024, the Group had never received any notice from BII requiring the Group to pay any fees for its utilisation of the Resources. In late November 2024, the Group received a notice from BII stipulating that commencing from 1 January 2024, the Group would be charged for its utilisation of the Resources. Upon receiving such notice, the Group was of the view that the utilisation of the Resources is crucial to the Group’s operation and development of the Civil Communication Transmission Business, and that the Civil Communication Transmission Business might be adversely impacted without utilising the Resources, which would adversely affect the interests of the Shareholders. As such, after numerous rounds of discussions and negotiations between the management and BII, the Group entered into the Cooperation Agreement with BII to ensure the utilisation of the Resources, and accordingly, the stability and continuity of the Group’s operation of the Civil Communication Transmission Business, which is in the interests of the Company and the Shareholders as a whole.

- (c) As (i) BII has been the ultimate controlling Shareholder of the Company; and (ii) there has been a long-standing business relationship between BII and the Group, the Directors consider BII a reliable business partner and the cooperation between the parties will be beneficial to the Group's long-term and stable operation and development of the Civil Communication Transmission Business.
- (d) Pursuant to the Cooperation Agreement, BII is responsible for providing the Resources for the operation and development of the Systems in the subway lines of the Beijing Subway.

As aforementioned, the Intelligent Infrastructure Segment revenue represented approximately 18% and 23% of the Group's total revenue for FY2023 and FY2024 respectively. Based on the information provided by the Company, revenue generated from the Civil Communication Transmission Business (i) has been included in the Intelligent Infrastructure Segment revenue; and (ii) represented approximately 12% and 13% of the Group's total revenue for FY2023 and FY2024 respectively.

According to the 2024 Annual Report, the reportable segment profit of the Intelligent Infrastructure Segment was approximately HK\$160 million for FY2023 and approximately HK\$193 million for FY2024.

As confirmed by the Directors, the Transaction is conducted in the ordinary and usual course of business of the Group to support the operation of the Civil Communication Transmission Business. As the Civil Communication Transmission Business involves renting and licensing the use of the Systems of the subway lines of the Beijing Subway to mobile telecommunications operators for their provision of voice and data services for mobile devices in the Beijing Subway, it is necessary for the Group to utilise the Resources for the development of the Civil Communication Transmission Business. BII is the only subway provider in Beijing and the sole owner of the Beijing Subway. Therefore, by being the sole owner of the underground stations in the Beijing Subway, BII is the sole provider of the Resources.

As aforementioned, the Group has been utilising the Resources for the development of the Civil Communication Transmission Business since 2014. Nevertheless, since 2014 and up to late November 2024, the Group had never received any notice from BII requiring the Group to pay any fees for its utilisation of the Resources. It is justifiable for BII to charge the Group for utilisation of the Resources commencing from 1 January 2024.

Having considered that the Civil Communication Transmission Business contributed substantial portion to the Group's total revenue for FY2022, FY2023 and 1H2024 and the reportable segment profit of the Intelligent Infrastructure Segment increased from FY2022 to FY2023 and from 1H2023 to 1H2024, 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 COOPERATION AGREEMENT” of the Board Letter:

Agreement date

19 December 2024

Parties

- (1) BII Zhuoyue; and
- (2) BII.

Term

Subject to the fulfilment of the conditions precedent as set out under the section headed “2. THE COOPERATION AGREEMENT” of the Board Letter, the term of the Cooperation Agreement shall be three years starting from 1 January 2024 to 31 December 2026.

Scope of cooperation

Pursuant to the Cooperation Agreement, BII is responsible for providing the Resources for the operation and development of the Systems of the underground stations in the subway lines of the Beijing Subway. The scope of cooperation includes the 255 underground stations in operation as at 31 December 2023 and the underground stations pending to be in operation during the term of the Cooperation Agreement.

Pricing principles

In respect of the 255 underground stations in operation, revenue contracts had been entered into between BII Zhuoyue and mobile telecommunications operators. Among such 255 underground stations, revenue contracts regarding 2G, 4G and 5G mobile networks had been entered into in respect of 209 underground stations; and revenue contracts regarding 4G mobile networks only had been entered into in respect of 46 underground stations.

It is expected that BII Zhuoyue will enter into further revenue contracts with mobile telecommunications operators regarding 2G and 5G mobile networks for the abovementioned 46 underground stations during the term of the Cooperation Agreement.

For the underground stations pending to be in operation during the term of the Cooperation Agreement, it is expected that BII Zhuoyue will enter into various revenue contracts with mobile telecommunications operators.

The fees payable by BII Zhuoyue for the use of the Resources under the Cooperation Agreement regarding (i) the 255 underground stations in operation; (ii) the 46 underground stations, where further revenue contracts are expected to be entered into; and (iii) the underground stations pending to be in operation as mentioned above, shall be determined between the parties after arm's length negotiation, taking into account BII Zhuoyue's revenue from the Civil Communication Transmission Business during the term of the Cooperation Agreement, the amount invested by BII regarding the Resources and the amount invested by BII Zhuoyue regarding the Systems. In particular, the fees payable by BII Zhuoyue for the use of the Resources under the Cooperation Agreement are determined with reference to BII's share in BII Zhuoyue's earnings from the Civil Communication Transmission Business (i.e. the BII's Share). The BII's Share is based on the share ratio as determined by: "BII's original value of investment cost (the "BII Investment Cost") ÷ (BII Zhuoyue's original value of investment cost (the "BII Zhuoyue Investment Cost") + The BII Investment Cost)". Further details of the BII's Share are set out under the sub-section headed "Pricing principles" of the Board Letter.

We consider the aforesaid pricing principles to be justifiable after considering the following:

- (i) The significance of the Resources to the Civil Communication Transmission Business and the significance of the Civil Communication Transmission Business to the Group (revenue generated from the Civil Communication Transmission Business represented approximately 12% and 13% of the Group's total revenue for FY2023 and FY2024 respectively).
- (ii) As BII is the sole owner of the underground stations in the Beijing Subway and the sole provider of the Resources, it is reasonable for BII to charge the fees for the use of the Resources on a "split distribution basis" according to the proportion between the BII Investment Cost and the BII Zhuoyue Investment Cost.
- (iii) As compared to fixed rent, fees charge on "split distribution basis" may mitigate the Group's risks under the circumstance that the Group could not generate sufficient revenue from the Civil Communication Transmission Business to cover relevant cost (including the fixed rent).
- (iv) We noted certain business invitation announcements on a business invitation platform website operated by 國鐵物資有限公司 (China Railway Materials Co., Ltd.*) ("CRMC"), namely, 國鐵招商 (State Railway Business Invitation*) (the "SR Business

Invitation Website”). According to the SR Business Invitation Website, CRMC professional service organization for material procurement and supply of the China State Railway Group Co., Ltd.* (中國國家鐵路集團有限公司). We noted from the aforesaid business invitation announcements that, “variable rent” on different bases, including “fixed guaranteed rent or percentage on sales amount, whichever is higher” and “percentage on sales amount only”, would be charged for the entities who utilize the space/area associated with railway stations to conduct their business (such as retail shop, food and beverage and vending machine).

Settlement method

In respect of the 255 underground stations in operation as at 31 December 2023, the fees payable by BII Zhuoyue (the “Pre-determined Fees”) will be approximately RMB35.8 million for the year ended 31 December 2024 (“FY2024”), RMB38.4 million for the year ending 31 December 2025 (“FY2025”) and RMB43.6 million for the year ending 31 December 2026 (“FY2026”) (equivalent to HK\$38.7 million, HK\$41.5 million and HK\$47.1 million, respectively).

The fees in respect of the 255 underground stations in operation shall be paid by BII Zhuoyue in the following manner:

- (i) approximately RMB35.8 million (for FY2024) shall be payable within 20 working days after the Cooperation Agreement becoming effective and after BII Zhuoyue receiving the relevant value-added tax invoice;
- (ii) approximately RMB38.4 million (for FY2025) shall be payable by 11 August 2025; and
- (iii) approximately RMB43.6 million (for FY2026) shall be payable by 1 November 2026.

As FY2024 had passed, it is reasonable to pay the fees payable for FY2024 within 20 working days after the Cooperation Agreement becoming effective and after BII Zhuoyue receiving the relevant value-added tax invoice. As more than a half of FY2025 has already passed by 11 August 2025, it is reasonable to pay the fees payable for FY2025 by that date. As more than a half of FY2026 has already passed by 1 November 2026, it is reasonable to pay the fees payable for FY2026 by that date. In other words, (a) during more than half of each of FY2025 and FY2026, BII Zhouyue will be using the Resources without paying fees; and (b) during less than half of each of FY2025 and FY2026, BII Zhouyue will pay in advance for using the Resources.

The parties shall enter into supplemental agreement(s) regarding the amount of fees payable (the “Undetermined Fees”) and settlement method for (i) the 46 underground stations (among the 255 underground stations in operation as at 31 December 2023), where further revenue contracts regarding 2G and 5G mobile networks are expected to be entered into; and (ii) the underground stations pending to be in operation, where various revenue contracts are expected to be entered into.

Further details of the settlement method are set out under the sub-section headed “Settlement method” of the Board Letter.

With reference to the Board Letter and as confirmed by the Directors:

- (i) The Pre-determined Fees were determined with reference to, among others, revenue contracts that had been entered into. It is the intention of BII Zhuoyue and BII that the Pre-determined Fees payable for each of 2024, 2025 and 2026 will be adjusted for once after 31 December 2026 according to actual earnings derived from the revenue contracts at the end of 2026 after arm’s length negotiation. In addition, pursuant to the Cooperation Agreement, in case of Policy Reasons, BII Zhuoyue and BII shall determine whether the fees payable by BII Zhuoyue for the use of the Resources under the Cooperation Agreement may be adjusted.
- (ii) As the Undetermined Fees shall be determined between BII Zhuoyue and BII after arm’s length negotiations with reference to actual earnings derived from the revenue contracts, there will be no adjustment unless Policy Reasons arise.

We consider that the above possible adjustments to be justifiable as they will align fees payable with actual earnings derived from the revenue contracts and cater possible Policy Reasons (if any).

Proposed annual caps

Set out below are the proposed annual caps in respect of the Transaction (the “Proposed Cap(s)”) for the three years ended/ending 31 December 2026:

	For the year ended 31 December 2024 RMB million	For the year ending 31 December 2025 RMB million	For the year ending 31 December 2026 RMB million
Proposed Caps	44	56	64

With reference the Board Letter, the Proposed Caps consist of the following:

- (i) the fees payable by BII Zhuoyue in respect of the 255 underground stations in operation as at 31 December 2023, amounting to approximately RMB35.8 million, RMB38.4 million and RMB43.6 million, respectively for the three years ended/ending 31 December 2026 (“Fees I”);
- (ii) the fees payable by BII Zhuoyue in respect of the 46 underground stations (among the 255 underground stations in operation as at 31 December 2023), which will be stipulated under supplemental agreement(s) (“Fees II”); and
- (iii) the fees payable by BII Zhuoyue in respect of the 44 underground stations which are expected to be pending to be in operation during the term of the Cooperation Agreement, which will be stipulated under supplemental agreement (“Fees III”, together with Fee I and Fee II, the “Fees Payable”).

For our due diligence purpose, we obtained the calculation of the Proposed Caps (the “Calculation”) from the Company, which is consistent with the above basis of the Proposed Caps.

Under the Calculation, the Proposed Cap for each of the three years ended/ending 31 December 2026 was estimated based on (a) the sum of Fees I, Fees II and Fees III payable (if any) for that year; and (b) buffer of approximately 8% for FY2024 only (the “2024 Buffer”).

Fees Payable

Under the Calculation, the Fees Payable (including Fees I, Fees II and Fees III) was estimated based on:

- (i) the estimated revenue to be generated under corresponding revenue contracts entered/to be entered into between BII Zhuoyue and mobile telecommunications operators;
- (ii) estimated operating costs to be incurred for the operation under the revenue contracts as mentioned in (i) above (the “Estimated Operating Costs”);
- (iii) the proportion between the BII Investment Cost and the BII Zhuoyue Investment Cost (the “Proportion”);
- (iv) distribution of “(i) – (ii)” above according to the Proportion; and
- (v) applying a discount for Fees I.

As aforementioned, we consider that it is reasonable for BII to charge the fees for the use of the Resources on a “split distribution basis” according to the proportion between the BII Investment Cost and the BII Zhuoyue Investment Cost. Accordingly, we consider the aforesaid calculation for the Fees Payable is justifiable.

For our due diligence purpose, we obtained the following documents/information which substantiate and support the figures adopted in the Calculation for estimating the Fees Payable (including Fees I, Fees II and Fees III):

- (i) Copies of all revenue contracts entered into between BII Zhuoyue and mobile telecommunications operators (the “**Executed Revenue Contracts**”), which substantiated the estimated revenue for calculation of Fees I. We also noticed that the Company made reference to the relevant fees charged by BII Zhuoyue to mobile telecommunications operators for specific types of business (i.e. 2G/4G/5G) pursuant to the Executed Revenue Contracts when estimating revenue for calculation of Fees II and Fees III.
- (ii) Copies of maintenance contracts entered into between BII Zhuoyue and its maintenance service providers for maintenance of the Systems (which substantiated approximately 67% of relevant maintenance cost) and records of other operating costs which support the calculation of the Estimated Operating Costs.
- (iii) Breakdown of the BII Investment Cost incurred/to be incurred for the Resources and breakdown of the BII Zhouyue Investment Cost incurred/to be incurred for the Systems, which support the determination of the Proportion under the Calculation.

Based on the Calculation, the BII Investment Cost incurred/to be incurred for the Resources was determined by BII’s total investment costs associated with the construction of each railway station (along with the utility support for each railway station), multiplied by the ratio of the area of the engine room space utilized by BII Zhuoyue to the total area of each railway station. This helps to apportion costs based on the actual space utilized by BII Zhuoyue.

As advised by the Company, BII Zhuoyue Investment Cost incurred/to be incurred for the Systems involves various hardware and software with substantial investment, and the technical design of which requires certain level of expertise.

2024 Buffer

Upon our enquiry, the Directors advised us that the 2024 Buffer was incorporated to cater for unforeseeable circumstances as FY2024 is the first year of the term of the Transaction. We noted from other Hong Kong listed companies' circulars regarding continuing connected transactions published during the period from 1 December 2024 to 19 December 2024 (being the date of the announcement in relation to the Transaction) that 12 out of 35 circulars published during the said period contained continuing connected transactions that incorporated buffer of 10% in determining their annual caps. The incorporation of buffer of 10% in determining proposed annual caps is not uncommon among Hong Kong listed companies. Accordingly, we consider the 2024 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 ended/ending 31 December 2026 are fair and reasonable.

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 Cooperation Agreement; (ii) the terms of the Transaction (including the Proposed 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 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 Cooperation 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*