

If you are in any doubts as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Beijing Urban Construction Design & Development Group Co., Limited, you should at once hand this circular together with the accompanying proxy form and reply slip for the extraordinary general meeting to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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北京城建设计发展集团股份有限公司

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

Beijing Urban Construction Design & Development Group Co., Limited

北京城建設計發展集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1599)

(1) CONNECTED TRANSACTIONS:

(i) AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT;

(ii) ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT

TO THE INTEGRATED SERVICES FRAMEWORK AGREEMENT AND

REVISION OF RELEVANT ANNUAL CAP RESULTING FROM

AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT;

(2) PROPOSED APPOINTMENTS OF NON-EXECUTIVE DIRECTORS;

(3) PROPOSED APPOINTMENT OF A SUPERVISOR;

AND

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2016

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

A notice convening the EGM of the Company to be held at Conference Room 620, Building 2, No. 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 9:30 a.m. on Thursday, 28 January 2016, is set out on page 62 to 64 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon as soon as possible. For holders of H Shares, the proxy form should be returned to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in hand or by post not less than 24 hours before the time stipulated for convening the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip on or before Thursday, 7 January 2016.

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DEFINITIONS

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

“Articles of Association”	the Articles of Association of the Company, as amended, modified or supplemented from time to time
“associate(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), a controlling shareholder of the Company holding 44.87% interest in the Company and a wholly state-owned enterprise under the Beijing Municipal Government
“Company”	Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1599)
“Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as enacted and adopted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, as the same may be amended, supplemented and otherwise modified from time to time modified from time to time
“connected person(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Contractual Price (Situations (2) and (3) Sub-contracting)”	the price attributable to part or parts of the awarded contract subcontracted to the Company under the contract awarded to BUCG in Situations (2) and (3) of the Supplemental Agreement to the Existing Non-competition Agreement

DEFINITIONS

“Contractual Price (Specialised Services)”	the price attributable to the remaining part of the awarded contract under the contract awarded to BUCG, after deducting the price of the part subcontracted to third parties and the Contractual Price (Situations (2) and (3) Sub-contracting) (being the price of the part subcontracted to the Company)
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and which are currently not listed or traded on any stock exchange
“EGM”	the first extraordinary general meeting of the Company in 2016 to be convened on Thursday, 28 January 2016 to consider and, if thought fit, approve (i) the resolution in relation to the amendments to the Existing Non-competition Agreement; (ii) the resolution in relation to entering into of the Supplemental Agreement to the Integrated Services Framework Agreement; (iii) the resolution in relation to the revision of the annual cap of the revenue transactions for the financial year ending 31 December 2016; (iv) the resolutions in relation to the proposed appointments of non-executive Directors; and (v) the resolution in relation to the proposed appointment of a supervisor
“Existing Non-competition Agreement”	the non-competition agreement entered into by BUCG and the Company on 24 January 2014 as amended by the Supplemental Agreement I to the Non-competition Agreement
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee comprising the independent non-executive Directors, namely Mr. Zhang Fengchao, Mr. Wang Dexing, Mr. Sun Maozhu and Mr. Liang Qinghuai, which has been established by the Company for the purpose of advising the Independent Shareholders in respect of (i) the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement, and (ii) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement. As Mr. Yim Fung cannot be contacted for the time being (please refer to the Company’s announcement dated 23 November 2015), he will not be a member of the Independent Board Committee for this purpose
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement, and (ii) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement
“Independent Shareholders”	Shareholders other than those required by the Hong Kong Listing Rules to abstain from voting on the resolutions to be proposed at the EGM to approve (i) the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement; (ii) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement; and (iii) the revision of the annual cap of the revenue transactions for the financial year ending 31 December 2016

DEFINITIONS

“Integrated Services Framework Agreement”	the mutual provision of integrated services agreement entered into between the Company and BUCG on 18 June 2014, for a term of three years commencing from the execution date of the agreement, details of which are set out in the section headed “Connected Transaction” of the prospectus of the Company dated 25 June 2014
“Latest Practicable Date”	9 December 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“PRC” or “China”	the People’s Republic of China which, for the purpose of this circular only, shall exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holders of the Shares of the Company
“Share(s)”	H Share(s) and Domestic Share(s) of the Company
“subsidiary(ies)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“substantial shareholder(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Supplemental Agreement to the Integrated Services Framework Agreement”	the supplemental agreement entered into between the Company and BUCG to amend the Integrated Services Framework Agreement, to incorporate the new continuing connected transactions resulting from the amendments to the Existing Non-competition Agreement into the Integrated Services Framework Agreement (as amended), details of which are set out in paragraph (2) under Section III of the letter from the Board in this circular

DEFINITIONS

“Supplemental Agreement I to the Non-competition Agreement”	the supplemental agreement entered into by BUCG and the Company on 16 June 2014 to amend the non-competition agreement entered into by BUCG and the Company on 24 January 2014
“Supplemental Agreement to the Existing Non-competition Agreement”	the second supplemental agreement to the Existing Non-competition Agreement entered into by BUCG and the Company on 29 October 2015 to amend the Existing Non-competition Agreement

LETTER FROM THE BOARD



北京城建设计发展集团股份有限公司

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

Beijing Urban Construction Design & Development Group Co., Limited

北京城建设计发展集团股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1599)

Members of the Board:

Executive Directors:

Wang Hanjun

Li Guoqing

Non-executive Directors:

Wang Liping

Chen Daihua

Wang Hao

Zhang Jie

Su Bin

Kong Lingbin

Tang Shuchang

Registered office:

5 Fuchengmen North Street

Xicheng District

Beijing

PRC

Principal place of business in Hong Kong:

18/F, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

Independent non-executive Directors:

Zhang Fengchao

Wang Dexing

Yim Fung

Sun Maozhu

Liang Qinghuai

11 December 2015

To the Shareholders:

Dear Sir or Madam,

(1) CONNECTED TRANSACTIONS:

(i) AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT;

**(ii) ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT
TO THE INTEGRATED SERVICES FRAMEWORK AGREEMENT AND
REVISION OF RELEVANT ANNUAL CAP RESULTING FROM
AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT;**

(2) PROPOSED APPOINTMENTS OF NON-EXECUTIVE DIRECTORS;

(3) PROPOSED APPOINTMENT OF A SUPERVISOR;

AND

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2016

LETTER FROM THE BOARD

I. INTRODUCTION

On behalf of the Board of Directors, I would like to invite you to attend the EGM to be held at Conference Room 620, Building 2, No. 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 9:30 a.m. on Thursday, 28 January 2016.

References are made to the announcement of the Company dated 29 October 2015 in relation to the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement, the announcement of the Company dated 9 December 2015 in relation to the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement, the announcement of the Company dated 29 October 2015 in relation to the proposed change of non-executive Director and the proposed appointment of a supervisor, and the announcement of the Company dated 9 December 2015 in relation to the proposed appointment of a non-executive Director. The purpose of this circular is to provide you with, among other things:

- (a) further information about the amendments to the Existing Non-competition Agreement, including the details of the Supplemental Agreement to the Existing Non-competition Agreement;
- (b) details of the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement;
- (c) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to (i) the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement, and (ii) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement;
- (d) a letter from Somerley, which sets out the opinions and recommendations of Somerley to the Independent Board Committee and Independent Shareholders in relation to (i) the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement, and (ii) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement;
- (e) details of the proposed appointments of non-executive Directors;

LETTER FROM THE BOARD

- (f) details of the proposed appointment of a supervisor; and
- (g) notice of the EGM,

to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM.

II. AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT

(1) The Existing Non-competition Agreement

Reference is made to the Existing Non-competition Agreement, which is the non-competition agreement entered into by BUCG and the Company on 24 January 2014 as amended by the Supplemental Agreement I to the Non-competition Agreement signed by BUCG and the Company on 16 June 2014.

Pursuant to the Existing Non-competition Agreement, BUCG has undertaken that during the term thereof, among other things, it will not and (i) will procure its subsidiaries and associates not to, and (ii) will procure its relevant investee companies, through the exercise of its voting rights in such companies, not to:

- (1) by itself or assist any other to engage or participate in any form, whether directly or indirectly, in any business that competes or will compete or is likely to compete with the core businesses of the Company; or
- (2) hold any equity or interest in any competing business through any third party.

BUCG has further undertaken in the Existing Non-competition Agreement that during the term thereof, if BUCG becomes aware of any new business opportunities which are identical with or similar to the core businesses of the Company:

- (1) it will notify the Company in writing as soon as possible within three days after becoming aware of such new business opportunity and will provide the Company with all information and reasonable assistance, including procuring its subsidiaries and associates to provide the Company with the relevant information, for the Company to consider whether or not to take up or bid for such new business opportunity; and
- (2) if the Company, having considered the relevant information, decides not to take up or bid for the new business opportunity (including any business related to planning, survey, design and/or consultancy), BUCG undertakes not to take up or participate in such new business opportunity in any manner (unless otherwise agreed in the agreement).

LETTER FROM THE BOARD

Pursuant to the Existing Non-competition Agreement, the core businesses of the Company include:

- (1) planning, survey, design and consultancy businesses, including but not limited to urban rail transit and transportation construction and planning, survey, design and consultancy business of municipal engineering and industrial and civil construction (excluding landscape business);
- (2) Engineering-Procurement-Construction contracting, Procurement-Construction contracting, investments and operation of urban rail transit (including but not limited to subway, light rail, tram, city rapid rail transit, monorail and maglev) and its integrated and related projects; and
- (3) urban rail transit related proprietary and jointly-owned patented technology transformation businesses (including technology transfer and commercialisation).

Pursuant to the above arrangements under the Existing Non-competition Agreement, if the Company cannot bid for certain projects relating to its core businesses due to its failure to meet the bidding requirements, and by virtue of BUCG's undertaking not to engage in the core businesses of the Company, BUCG cannot bid for such projects even if it is willing to assist the Company in the bidding and then sub-contract the awarded project to the Company on a no profit basis to BUCG. This restriction also applies to situation where the Company and BUCG are to form a consortium, with or without other parties, to provide project financing for a project involving the core businesses of the Company.

(2) Backgrounds of the Amendments to the Existing Non-competition Agreement

There have been relatively great changes in engineering and construction projects in the PRC during the last two years, including urban rail transit construction projects, which are the core business of the Company.

To strengthen the regulation of local government debts and to promote financing of engineering and construction projects through the market, the PRC government has been rigorously promoting the public-private partnership (PPP) model since the second half of 2014. PPP projects are usually larger in scale and have higher financing requirements. As a result, the project financing ability of the bidders has become one of the key factors considered by project owners. BUCG is a large integrated wholly state-owned construction enterprise and has a stronger project financing ability. In respect of those PPP projects with higher financing requirements, the Company may not be able to meet such requirements by itself and may therefore lose the chance to bid for such projects. However, leveraging on BUCG's relatively stronger financing ability and background as a large wholly state-owned enterprise, the Company's chance of winning such projects and expanding its business will be greatly enhanced, if it is able to bid for such projects jointly with BUCG.

LETTER FROM THE BOARD

In addition, with the increasing urbanization and the increase in size of urban rail transit projects in the PRC, more and more urban rail transit engineering and construction projects have specific requirements of the bidders, for example, in terms of their asset size and grading level / qualification level. Bidders who do not meet such requirements are excluded from participating at the bidding stage. For instance, in some provinces, the project owner, which may be the provincial or municipal government or a state-owned entity under the provincial or municipal government, may require the bidder to be an enterprise at the bureau level (正局級), which is higher than the grading level of the Company (being an enterprise at the sub-bureau level (副局級)). Also, some engineering and construction projects may require the bidder to hold an Elite Qualification in General Construction Contracting for Building Construction (房屋建築工程施工總承包特級資質). As the Company holds Class A Qualification in General Construction Contracting for Building Construction (房屋建築工程施工總承包一級資質), which is already very high level qualification, but not as high as the Elite Qualification, the Company is unable to meet such requirement.

In addition, the Company's core businesses also include the provision of design and consultancy services at the preparatory stage or for supervisory work of engineering and construction projects. However, pursuant to Section 35 of the Provisions on Tender and Bidding of Construction Projects (《工程建設項目施工招標投標辦法》), the entity that provides design or consultancy services at the preparatory stage or for supervisory work of a project for tender is not eligible to bid for the project. However, the relevant regulations do not prohibit such enterprise from participating in the engineering and construction work of such project in the capacity as a sub-contractor. Therefore, if the Company provides design or consultancy services at the preparatory stage or for supervisory work of a project, BUCG may bid for such project and, subject to the provisions of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded project to the Company.

Upon the reorganisation of the Company for the purpose of its listing on the Hong Kong Stock Exchange, BUCG transferred its professional qualifications for urban rail transit engineering and construction to the Company. After such transfer, BUCG no longer had the professional qualifications to conduct urban rail transit engineering and construction work. However, with effect from January 2015, no professional qualification is required to participate in the urban rail transit engineering and construction work in the PRC, other than the usual qualifications which are required for construction enterprises. In this regard, subject to the Existing Non-competition Agreement, there are no restrictions limiting BUCG from bidding or bidding with the Company for urban rail transit engineering and construction contracts. However, the Existing Non-competition Agreement restricts the ability of the Company and BUCG from leveraging their respective strengths to cooperate on a project or jointly bid for a project within the Company's core business for the Company's benefits.

LETTER FROM THE BOARD

The Company and BUCG have agreed to revise the Existing Non-competition Agreement in order to enable BUCG and the Company to cooperate and bid for new projects under specific limited circumstances, which otherwise the Company may not be able to obtain by itself. New business opportunities may come from BUCG or from the Company. Depending on the requirements of a project, the Company or BUCG may initiate the bidding. Terms and forms of cooperation may then be discussed between the Company and BUCG before submitting any tender or bidding. Cooperation may take several forms, including:

- (i) forming a consortium with BUCG, with or without other third party or parties, to bid for an urban rail transit engineering and construction project (whether for project financing or other purposes), and depending on the size of the financing, participation in financing the awarded project by parties to the consortium by way of shareholders' loans and/or loans by other financiers. Depending on the terms of the project, BUCG may or may not take a leading role in such consortium. Participation by BUCG and the Company in the equity of the project company is required in order for BUCG and the Company to provide financing to the project company as equity holders and/or from other financiers. Through such forms of participation, BUCG, and same for the Company, will receive returns on its investment, through profit distribution and interest payments of the shareholders' loans to the project company;
- (ii) for BUCG to bid for an urban rail transit engineering and construction project as a general contractor and, within the limits specified by the bidding documents and in compliance with the relevant laws and regulations and on a no profit basis to BUCG, sub-contract part or parts of the awarded project to the Company (part or parts may have to be sub-contracted to independent third party or parties for technical requirement reason) and enter into arrangements for the provision of equipment leasing and management services by the Company to BUCG. Haiwen & Partners, the legal advisers of the Company as to the PRC laws, are of the opinion that the above sub-contracting arrangement and provision of equipment leasing and management services by the Company to BUCG do not breach the applicable laws and regulations of the PRC.

(3) The Supplemental Agreement to the Existing Non-competition Agreement

BUCG and the Company entered into the Supplemental Agreement to the Existing Non-competition Agreement on 29 October 2015. The supplemental agreement is conditional upon the approval of the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

Compared with the Existing Non-competition Agreement, the Supplemental Agreement to the Existing Non-competition Agreement has added a new provision providing for the co-operations between the Company and BUCG in certain specific situations as follows:

“Clause 3.8: If the Company is restricted from bidding for an engineering and construction project by reason of:

- Situation (1): the project financing requirements of such project beyond the financing capabilities of the Company;
- Situation (2): the Company’s previous provision of design or consultancy services at the preparatory stage or for supervisory work of such project restricting the Company from bidding for the engineering and construction work of the project; and/or
- Situation (3): the special bidding requirements of such project, but only to the extent that the Company alone cannot meet the bidding requirements in relation to the bidder’s net assets, total assets, grading level and/or qualification level,

the Company may in respect of:

- Situation (1) above: the Company to bid for PPP or similar type of project jointly with BUCG or through a consortium formed by the Company, BUCG and other parties, if applicable, and finance such project jointly with BUCG or the Company jointly with BUCG and other parties; or
- Situation (2) above: BUCG to bid for such project and then subcontract part or parts of the awarded project to the Company, subject to the provisions of the relevant bidding documents and in compliance with the relevant laws and regulations, on a no profit basis to BUCG; or
- Situation (3) above: the Company to form a consortium with BUCG to bid for such project or BUCG to bid for such project and subcontract, on a no profit basis to BUCG, part or parts of the awarded project to the Company, subject to the provisions of the bidding documents and in compliance with the relevant laws and regulations or such other ways of cooperation as permitted by the project owner on a no profit basis to BUCG,

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provided that in each of the above situations, the independent non-executive Directors of the Company have prior reviewed and approved such cooperation with BUCG.

If any of the above situations arises, the Company shall convene a meeting of the independent non-executive Directors as soon as possible for the independent non-executive Directors to consider the proposed co-operation project with BUCG and the scope and terms of the cooperation. If over three-fourths of the independent non-executive Directors present at the meeting or through written resolution voted for the co-operation with BUCG, BUCG may bid for or participate in such project jointly with the Company in accordance with the approved proposal. In respect of any such co-operations, the following general principles shall apply: (i) for any sub-contracting arrangements, BUCG shall not obtain or be entitled to any profit from its involvement as the general contractor of an awarded project; and (ii) for participation by BUCG in PPP or similar urban rail transit projects, any financial assistance in terms of loans or provision of guarantee will be proportionate to the respective equity interests of the Company, BUCG and other participants (if applicable) in the relevant project company of the PPP project, and where such financial assistance is not proportionate to their respective equity interests, any such financial assistance shall be in compliance with the Hong Kong Listing Rules. The Company shall also comply with the disclosure and approval requirements, if applicable, under the Hong Kong Listing Rules for assistance or cooperation, if any, provided by BUCG to the Company under the Supplemental Agreement to the Existing Non-competition Agreement.”

Other than the above amendments, the other major terms of the Existing Non-competition Agreement remain unchanged.

It is not the intention nor is it the purpose of the Supplemental Agreement to the Existing Non-competition Agreement to enable BUCG to engage in any urban rail transit projects in competition with the Company. Based on the Supplemental Agreement to the Existing Non-competition Agreement, any bidding or cooperation provided by BUCG in any urban rail transit projects must be for the benefit of the Company and not otherwise. Any involvement of BUCG in bidding or obtaining any such urban rail transit projects is confined to the Situations (1) to (3) mentioned above, but not in any other circumstances. Under Situation (1) above, BUCG shall not bid or participate in an urban rail transit PPP or similar project without the participation by the Company. Under Situation (2) above, BUCG will only bid for those projects which the Company has provided design or consultancy services with a view to sub-contracting the awarded project to the Company, in accordance with the terms of the bidding documents and in compliance with PRC laws and regulations. Same for Situation (3) above, where the Company is restricted from bidding because of the higher bidding requirements in relation to the bidder's net assets, total assets, grading level and/or qualification level, BUCG will bid with a view to, and pursuant to the Supplemental Agreement to the Existing Non-competition Agreement, sub-contracting the awarded project to the Company in accordance with the terms of the bidding documents and in compliance with PRC laws and regulations.

LETTER FROM THE BOARD

(4) Reasons for and Benefits of the Supplemental Agreement to the Existing Non-competition Agreement

The Directors (excluding the independent non-executive Directors, whose opinion is set out in the section headed “Letter from the Independent Board Committee” in this circular) are of the opinion that the Existing Non-competition Agreement, due to the absence of the enabling co-operation provisions, limits the Company’s chance to bid for construction projects in certain situations (please refer to the section headed “Background of the Amendments to the Existing Non-competition Agreement” in this letter). In particular, it limits the business opportunities of the Company by restricting the Company from bidding for and taking up certain engineering projects jointly with BUCG by leveraging on their respective business strengths and/or resources in certain defined circumstances.

The purpose of the amendments to the Existing Non-competition Agreement is to allow BUCG, under specific limited circumstances only, to assist or cooperate the Company in bidding for those projects, without which the Company would not be able to bid for or participate in such projects. Further, BUCG has agreed that BUCG shall not obtain or be entitled to any profit from its participation in assisting the Company in the bidding for any urban rail transit project.

The Supplemental Agreement to the Existing Non-competition Agreement includes provisions which expressly set out the circumstances under which the Company may co-operate with BUCG and stipulates the internal approval procedures of the Company. Any proposed projects for cooperation with BUCG, together with the proposed scope and terms thereof, have to be reviewed by the independent non-executive Directors and approved by over three-fourths of the independent non-executive Directors present at the meeting or through written resolution.

Based on the above factors, the Directors (excluding the independent non-executive Directors, whose opinion is set out in the section headed “Letter from the Independent Board Committee” in this circular) believe that (i) the Supplemental Agreement to the Existing Non-competition Agreement will help to improve the Company’s position when its ability to bid for certain projects is limited and, through appropriate co-operations with BUCG in defined circumstances, enhance the Company’s competitiveness to bid for, and its chance to win, certain large-scale PPP projects and other projects defined in the Supplemental Agreement to the Existing Non-competition Agreement. This will provide the Company with more opportunities to participate in such engineering and construction projects without having any adverse impact on the Group’s interests; and (ii) BUCG would not compete with the Company relating to the core businesses of the Company by reason of the Supplemental Agreement to the Existing Non-competition Agreement and any such cooperation or assistance is complementary to the Company’s core businesses and not in competition with the Company’s core businesses.

(5) Implications of the Hong Kong Listing Rules

As at the Latest Practicable Date, BUCG held 44.87% of the Company's issued shares and is therefore a controlling shareholder and connected person of the Company under the Hong Kong Listing Rules. According to Chapter 14A of the Hong Kong Listing Rules, amending the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement between the Company and BUCG constitutes a connected transaction of the Company and shall comply with the requirements of reporting, announcement and approval by the Independent Shareholders under the Hong Kong Listing Rules.

Ms. Wang Liping, Mr. Chen Daihua and Mr. Tang Shuchang, all being Directors, are the deputy general manager, the director and general manager, the head of the capital management department and an assistant to the general manager, respectively, of BUCG and are deemed to have material interests in the above transaction. Therefore, the above Directors have abstained from voting on the board resolution approving the above transaction in accordance with the requirements of the Articles of Association and Hong Kong Listing Rules.

The Independent Board Committee comprising the independent non-executive Directors, namely Mr. Zhang Fengchao, Mr. Wang Dexing, Mr. Sun Maozhu and Mr. Liang Qinghuai, has been established for the purpose of advising the Independent Shareholders in respect of, among other things, the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement. As Mr. Yim Fung cannot be contacted for the time being (please refer to the Company's announcement dated 23 November 2015), he will not be a member of the Independent Board Committee for this purpose. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of, among other things, the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement.

(6) Information about the Parties

The Company is principally engaged in the design, survey and consultancy business for urban rail transit engineering, industrial and civil construction and municipal engineering, as well as the construction contracting business for urban rail transit engineering.

BUCG is a wholly State-owned enterprise established as a limited liability company, which is principally engaged in the construction contracting, real estate development and design and consultation businesses.

(7) The EGM

The EGM will be convened by the Company to seek the approval of the Independent Shareholders on, among other things, the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement. For the details of the EGM, please refer to the section headed “VI. EGM” in this letter.

III. ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE INTEGRATED SERVICES FRAMEWORK AGREEMENT AND REVISION OF RELEVANT ANNUAL CAP RESULTING FROM AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT

(1) Backgrounds of the Supplemental Agreement to the Integrated Services Framework Agreement and Revision of Relevant Annual Cap

The Company and BUCG entered into the Integrated Services Framework Agreement on 18 June 2014, pursuant to which the Group provides BUCG, its subsidiaries and/or associates, from time to time in its ordinary and usual course of business, with the integrated services (“**Integrated Services**”) including (i) services relating to construction design, survey and consultancy, including but not limited to measurement, test, inspection of construction drawings; and (ii) training services and other services required by BUCG, its subsidiaries and/or associates to carry out their business.

Upon the Supplemental Agreement to the Existing Non-competition Agreement becoming effective, details of which are set out in the section headed “Amendments to the Existing Non-competition Agreement” above, BUCG may assist the Company to bid for urban rail transit projects under specific circumstances. Accordingly, BUCG may sub-contract part or parts of an awarded project to the Company in accordance with the bidding documents and in compliance with the relevant laws and regulations, and/or require the Company to provide specialised services, such as management services and equipment leasing. Sub-contracting arrangements and provision of specialised services by the Company to BUCG under Situations (2) and (3) set out in the Supplemental Agreement to the Existing Non-competition Agreement (“**Situations (2) and (3) Continuing Connected Transactions**”) will become new continuing connected transactions of the Company under the Hong Kong Listing Rules. As such, the Company proposes to amend the Integrated Services Framework Agreement by entering into a supplemental agreement to incorporate the Situations (2) and (3) Continuing Connected Transactions into the Integrated Services Framework Agreement (as amended) and to provide the revised annual cap of the revenue transactions for the financial year ending 31 December 2016.

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(2) Supplemental Agreement to the Integrated Services Framework Agreement

For the purposes of regulating the Situations (2) and (3) Continuing Connected Transactions, BUCG and the Company entered into the Supplemental Agreement to the Integrated Services Framework Agreement on 9 December 2015. The Supplemental Agreement to the Integrated Services Framework Agreement is conditional upon the approval of the Independent Shareholders at the EGM.

Principal terms of the Integrated Services Framework Agreement (as amended) are summarized as follows (amendments are underlined as below):

Parties: BUCG
The Company

Date: 9 December 2015

Principal terms to be amended:

1. Service Scope The integrated services provided by the Group to BUCG, its subsidiaries and/or associates include but not limited to, (i) services relating to construction survey, design and consultancy, including but not limited to measurement, test, inspection of construction drawings, and training services and other services required by BUCG, its subsidiaries and/or associates to carry out their business; (ii) project sub-contracting and/or specialised services, including but not limited to project management and equipment leasing, pursuant to Situations (2) and (3) of the Supplemental Agreement to the Existing Non-competition Agreement.

2. Transaction Rules 4.1 The parties agree that, each of them is entitled to have full discretion in choosing the counterparties for the transactions (other than in the circumstances specified in Section 4.3 of this agreement). BUCG, its subsidiaries and/or associates shall provide services on terms no less favourable than those offered to independent third parties under similar circumstances and shall not request the Company to provide services on terms more favourable than those offered to the independent third parties by the Company.

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4.2 The parties agree that the transaction shall be consummated in line with the applicable market practice (if any) and on normal commercial terms.

4.3 Notwithstanding any other provisions of this agreement, in terms of the awarded projects cooperated with and/or bid by BUCG under the Situations (2) and (3) set out in the Supplemental Agreement to the Existing Non-competition Agreement, BUCG shall, in accordance with the terms of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded contract to the Company and/or require specialised services from the Company on a no profit basis to BUCG.

3. Pricing

5.1 Either party shall provide services to the other party at a price determined under the following pricing principles:

5.1.1 price prescribed by the government if available; or

5.1.2 where there is no government-prescribed price, then the government-guided price taking into account market factors; or

5.1.3 where there is neither government-prescribed price nor government-guided price, then the price determined through tender process or other available market price; or

5.1.4 where none of the above is available or where none of the above transaction rules is applicable in the actual transaction, then the Contractual Price.

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5.2 Notwithstanding the foregoing, in terms of the sub-contracting arrangements and specialised services, if required, to be provided by the Company to BUCG pursuant to Situations (2) and (3) of the Supplemental Agreement to the Non-competition Agreement, the pricing of any such sub-contracting arrangements and specialised services will be based on Contractual Price (Situations (2) and (3) Sub-contracting) and Contractual Price (Specialised Services) (as defined in the “Definitions”).

4. Rights and Obligations Both parties are entitled to select a third party to provide relevant services to them, however, this provision shall not apply to the situations set out in the Supplemental Agreement to the Existing Non-competition Agreement.
5. Term From the execution date of this agreement up to 31 December 2016

The other terms will remain unchanged and applicable.

(3) Revision of Relevant Annual Cap

Rail transit projects of the PRC and estimated awarded biddings

Historically, there were a number of engineering and construction projects for which the Company provided design or consultancy services at the preparatory stage or for supervisory work, but was restricted from bidding for the engineering and construction work of such projects. Such projects include Beijing subway lines 19, 17 and 3, Beijing Yuquan Rail Transit Line, Phase I of Ningbo Rail Transit Line 3 and Xi'an Subway Line 5. Through the Supplemental Agreement to the Existing Non-competition Agreement, BUCG will be able to assist the Company to participate, if similar projects arise.

Further, with the rapid development of the rail transit industry in the PRC in recent years, it is expected that tenders of the rail transit projects would increase in large cities of the PRC. The Company has recently tracked the urban rail transit projects development in Beijing, Taiyuan, Shenyang, Xi'an, Suzhou, Changzhou, Urumqi, Zhengzhou, Qingdao, Dalian, Hangzhou, Ningbo and Wuhan. It is expected that certain sections of the subway lines in Beijing and other cities will be available for tender in 2016. It is further expected that these would include some sections of Beijing subway lines 17 and 3 and Xi'an Subway Line 5, which are subway lines with sections already under constructions and new sections are expected to be available for

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tender in 2016. Where the Company is restricted from bidding by reason of its provision of design or consultancy services at the preparatory stage or for supervisory work, BUCG will be able to assist the Company when such offers for tender come up.

Upon the Supplemental Agreement to the Existing Non-competition Agreement becoming effective, and considering the number of sections which are expected to be available for bidding in Beijing and other cities, including Xi'an, in 2016, it is expected that pursuant to Situations (2) and (3) of the Supplemental Agreement to the Non-competition Agreement, BUCG may be able to successfully obtain two sections out of the upcoming sections available for bidding in 2016. The average contract sum of such project by section is estimated to be between RMB0.4 billion and RMB0.5 billion.

Estimated amount for the new continuing connected transactions for 2016

It is estimated that for the financial year ending 31 December 2016, out of the two projects obtained by BUCG under Situations (2) and (3) of the Supplemental Agreement to the Existing Non-competition Agreement, approximately 25% of such projects will be performed before 31 December of 2016 and therefore the annual cap for the Situations (2) and (3) Continuing Connected Transactions is estimated as follows:

**Year ending 31
December 2016**

Estimated revenue from the Situations (2) and (3) Continuing Connected Transactions	RMB250 million
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The estimated revenue from the Situations (2) and (3) Continuing Connected Transactions for the financial year ending 31 December 2016 was determined based on, among other things, the following consideration:

- (i) the number of urban rail transit projects in Beijing and other cities, including Xi'an, which the Company estimates will be upcoming and available for tender in 2016 and pursuant to Situations (2) and (3) of the Supplemental Agreement to the Existing Non-competition Agreement, it is expected that BUCG may be awarded two such projects in 2016;
- (ii) the average contract sum of each project is estimated to be between RMB0.4 billion and RMB0.5 billion;
- (iii) by reason of unexpected factors, such as unexpected geological conditions, or changes to the work plans as requested by the project owner, there could be variations or adjustments to the awarded contract sum. A 20% to 40% increase in the total sum of an awarded contract has been included in the estimate as a buffer for the estimated annual sum; and

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- (iv) depending on the timing when BUCG may obtain the projects, it is estimated that construction work amounting to approximately 25% or equivalent to approximately RMB250 million of the two projects will be completed in the financial year ending 31 December 2016.

Annual cap proposed to be revised

It is proposed that the Situations (2) and (3) Continuing Connected Transactions be added to and be regulated by the revenue transactions of the Integrated Services Framework Agreement. The proposed revised annual cap of the relevant revenue transactions (after consolidating the annual caps of the existing revenue transactions for the provision of Integrated Services) for the financial year ending 31 December 2016 is estimated as follows:

In RMB Million

	Year ending 31 December 2016
Revenue Transactions	
Existing annual cap for the provision of Integrated Services	36
Estimated amount for the Situations (2) and (3) Continuing Connected Transactions	250
Annual cap proposed to be revised	286

As the term of the Integrated Services Framework Agreement (as amended) will expire on 31 December 2016, the Company will, at an appropriate time before expiry of the Integrated Services Framework Agreement (as amended) in 2016, propose to renew the Integrated Services Framework Agreement (as amended) for a term of three years from 1 January 2017 to 31 December 2019 and provide the estimated annual caps for the Situations (2) and (3) Continuing Connected Transactions and for the provision of Integrated Services for the three financial years ending 31 December 2019.

The Company will closely monitor the progress of the Situations (2) and (3) Continuing Connected Transactions and will ensure re-compliance with the Hong Kong Listing Rules, including approval by independent shareholders, if applicable, in case the annual cap is likely to be exceeded. If renewal of the annual caps for the three financial years ending 31 December 2019 is not approved by the independent shareholders at the general meeting to be convened for the purpose in the second half of 2016, the Company will monitor the implementation of the sub-contracting arrangements and agreements for specialised services and subject to re-convening Shareholders' meeting to re-consider and approve the annual caps, comply with the Hong Kong Listing Rules on a contract by contract or agreement by agreement basis.

(4) Reasons for and Benefits of the Supplemental Agreement to the Integrated Services Framework Agreement and Revision of Relevant Annual Cap

The entering into of the Supplemental Agreement to the Integrated Services Framework Agreement is to incorporate the Situations (2) and (3) Continuing Connected Transactions into and be regulated by the Integrated Services Framework Agreement, by amending the service scope, transaction rules and pricing principles of the services to be provided by the Company to BUCG under the existing Integrated Services Framework Agreement. The terms of the Supplemental Agreement to the Integrated Services Framework Agreement are in line with the co-operation arrangement between the Company and BUCG set out in the Supplemental Agreement to the Existing Non-competition Agreement. The pricing of any such Situations (2) and (3) Continuing Connected Transactions will be based on the Contractual Price (Situations (2) and (3) Sub-contracting) and Contractual Price (Specialised Services) (both as defined in the “Definitions” section), pursuant to which BUCG will not obtain any profit out of the assistance or cooperation it provides to the Company in the Situations (2) and (3) Continuing Connected Transactions. As stated above, the independent non-executive Directors will review and approve any proposal to request BUCG to assist or cooperate in bidding to ensure that such proposals fall within Situation (2) or (3) of the Supplemental Agreement to the Existing Non-competition Agreement. Further, any such continuing connected transactions will be reviewed annually by the independent non-executive Directors in accordance with the requirements with Rule 14A.55 of the Hong Kong Listing Rules and their confirmations, if confirmed, will be disclosed in the annual report of the Company. The auditors of the Company will also review annually and provide the auditors confirmation (if confirmed) to the Company on such continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules. In addition, in accordance with the terms of the Existing Non-competition Agreement (as amended), the independent non-executive Directors of the Company will also review compliance by BUCG with the Existing Non-competition Agreement (as amended) and disclose the results of such review in the annual report of the Company.

Based on the above factors, the Directors (excluding the independent non-executive Directors, whose opinion is set out in the section headed “Letter from the Independent Board Committee” in this circular) believe that the Supplemental Agreement to the Integrated Services Framework Agreement and the terms thereof and the revision of the annual cap of the relevant revenue transactions for the financial year ending 31 December 2016 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(5) Implications of the Hong Kong Listing Rules

As at the Latest Practicable Date, BUCG held 44.87% of the Company's issued shares and is therefore a controlling shareholder and connected person of the Company under the Hong Kong Listing Rules. According to Chapter 14A of the Hong Kong Listing Rules, as the highest of the applicable size test percentage ratios (as defined in the Hong Kong Listing Rules) for entering into the Supplemental Agreement to the Integrated Services Framework Agreement and revising the annual cap of the relevant revenue transactions for the financial year ending 31 December 2016 is higher than 5%, such continuing connected transactions are subject to the reporting, announcement and the independent shareholders' approval requirement.

Ms. Wang Liping, Mr. Chen Daihua and Mr. Tang Shuchang, all being Directors, are the deputy general manager, the director and general manager, the head of the capital management department and an assistant to the general manager, respectively, of BUCG and are deemed to have material interests in the above transaction. Therefore, the above Directors have abstained from voting on the board resolution approving the above transaction in accordance with the requirements of the Articles of Association and Hong Kong Listing Rules.

The Independent Board Committee comprising the independent non-executive Directors, namely Mr. Zhang Fengchao, Mr. Wang Dexing, Mr. Sun Maozhu and Mr. Liang Qinghuai, has been established for the purpose of advising the Independent Shareholders in respect of, among other things, entering into the Supplemental Agreement to the Integrated Services Framework Agreement and revising the annual cap of the relevant revenue transactions for the financial year ending 31 December 2016. As Mr. Yim Fung cannot be contacted for the time being (please refer to the Company's announcement dated 23 November 2015), he will not be a member of the Independent Board Committee for this purpose. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of, among other things, entering into the Supplemental Agreement to the Integrated Services Framework Agreement and revising the annual cap of the relevant revenue transactions for the financial year ending 31 December 2016.

(6) Information about the Parties

The Company is principally engaged in the design, survey and consultancy business for urban rail transit engineering, industrial and civil construction and municipal engineering, as well as the construction contracting business for urban rail transit engineering.

BUCG is a wholly State-owned enterprise established as a limited liability company, which is principally engaged in the construction contracting, real estate development and design and consultation businesses.

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(7) The EGM

The EGM will be convened by the Company to seek the approval of the Independent Shareholders on, among other things, (i) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement; (ii) the revision of the annual cap of the revenue transactions for the financial year ending 31 December 2016. For the details of the EGM, please refer to the section headed “VI. EGM” in this letter.

IV. PROPOSED APPOINTMENTS OF NON-EXECUTIVE DIRECTORS

Reference is made to the announcement of the Company dated 29 October 2015 in relation to the proposed change of non-executive Director. Mr. Zhang Jie tendered his resignation as a non-executive Director and a member of the Audit Committee of the Company on 26 October 2015 due to a change of job assignment. His resignation will take effective upon the approval of the appointment of a new non-executive Director to fill the vacancy at the EGM. The Board has agreed to nominate Mr. Guan Jifa as the candidate for a non-executive Director to fill the vacancy resulting from the resignation of Mr. Zhang Jie. As considered and approved by the Board, Mr. Guan Jifa will also be appointed as a member of the Audit Committee from the effective date of the aforesaid appointment. The appointment of Mr. Guan Jifa is subject to the approval of the Shareholders at the EGM by way of an ordinary resolution.

Reference is made to the announcement of the Company dated 9 December 2015 in relation to the proposed appointment of non-executive Director. The Board has agreed to nominate Ms. Guo Yanhong as the candidate for a non-executive Director to fill the vacancy resulting from the resignation of Mr. Xu Jianyun. The appointment of Ms. Guo Yanhong is subject to the approval of the Shareholders at the EGM by way of an ordinary resolution.

Biographical details of Mr. Guan Jifa and Ms. Guo Yanhong are set out below:

Mr. Guan Jifa (關繼發), aged 50, is the deputy general manager of Beijing Infrastructure Investment Co., Ltd. From July 1987 to August 1992, Mr. Guan worked at Heilongjiang Metallurgical Design and Planning Institute (黑龍江冶金設計規劃院) as an engineer. He served as the project manager and deputy general manager of Beijing Urban No. 3 Construction Development Co., Ltd. (北京城建三建設發展有限公司) from June 1994 to April 2005. He served as the deputy general manager and general manager of Beijing Subway Construction Company (北京地下鐵道建設公司) from April 2005 to January 2008. He served as the chairman of Beijing Capital Investment Co., Ltd. (北京京創投資有限公司) from January 2008 to March 2010. He has been the general manager of the land development business department, assistant to the general manager and deputy general manager of Beijing Infrastructure Investment Co., Ltd. since March 2010. Mr. Guan obtained a Bachelor's degree majoring in mining engineering from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in July 1987. From August 1992 to June 1994, he studied at Northern Jiaotong University (北方交通大學), majoring in railway engineering. From April 2002 to July 2004, he took an MBA course at University of International

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Business and Economics in China (中國對外經濟貿易大學) through on-the-job learning. In January 2009, he obtained a Doctorate degree majoring in civil engineering construction and management from Xi'an University of Architecture and Technology (西安建築科技大學). Mr. Guan was awarded a senior engineer qualification by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 1999.

Ms. Guo Yanhong (郭延紅), aged 48, is the deputy Party secretary, director and general manager of BUCG. From August 1989 to May 1993, Ms. Guo worked at Beijing No. 3 Construction Engineering Co., Ltd. (北京市第三建築工程公司). She served as the chief project engineer of Beijing No. 3 Construction Engineering Co., Ltd. (北京市第三建築工程公司) from May 1993 to December 1999. She served as the deputy manager and general economist of Beijing No. 3 Construction Engineering Co., Ltd. (北京市第三建築工程公司) from December 1999 to December 2001. She served as head of the investment management department of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from December 2001 to March 2003. She served as the deputy general economist and head of the investment management department of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from March 2003 to July 2004. She served as the general economist of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from July 2004 to May 2010. She served as the deputy general manager of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from May 2010 to September 2010. She served as the standing committee member of the Party and deputy general manager of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from September 2010 to February 2015. She served as the standing committee member of the Party, director and deputy general manager of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from February 2015 to October 2015. She has been the deputy Party secretary, director and general manager of BUCG since October 2015. She has been the vice chairman of Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司) (a company listed on the Shanghai Stock Exchange) since October 2015. From September 1985 to August 1989, Ms. Guo studied at Hunan University (湖南大學), majoring in civil engineering, and obtained a Bachelor's degree in engineering. From January 1999 to December 2003, she took an engineering management course at Tsinghua University (清華大學) through on-the-job learning, and obtained a Master's degree in engineering. Ms. Guo was awarded a senior engineer qualification by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 1999.

Save as disclosed above, each of Mr. Guan Jifa and Ms. Guo Yanhong has not held any directorships in any other listed companies for the last three years or any other positions in the Company or its subsidiaries. Each of Mr. Guan Jifa and Ms. Guo Yanhong does not have any relationship with any Director, senior management or substantial or controlling shareholder of the Company. As at the date of this circular, each of Mr. Guan Jifa and Ms. Guo Yanhong does not have any interests in the Shares of the Company within the meaning of Part XV of the SFO.

Upon the appointments of Mr. Guan Jifa and Ms. Guo Yanhong as non-executive Directors approved by the Shareholders at the EGM, the Company will enter into a service contract with Mr. Guan Jifa and Ms. Guo Yanhong, respectively, in accordance with the

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applicable laws and regulations of the PRC for a term starting from the date of the approval by the Shareholders at the EGM to the expiry date of the terms of office of the members of the current Board. Each of Mr. Guan Jifa and Ms. Guo Yanhong will not receive any director's fees for acting as a non-executive Director.

Save as disclosed above, there is no other information about the appointments of Mr. Guan Jifa and Ms. Guo Yanhong which is required to be disclosed under Rule 13.51(2) of the Hong Kong Listing Rules nor are there any other matters which need to be brought to the attention of the Shareholders.

V. PROPOSED APPOINTMENT OF A SUPERVISOR

References are made to the announcement of the Company dated 22 October 2015 in relation to the resignation of supervisor and the announcement of the Company dated 29 October 2015 in relation to the proposed appointment of a supervisor. Mr. Li Wenhong tendered his resignation as Shareholder representative supervisor on 21 October 2015 due to a change of job assignment. On 29 October 2015, the fifth meeting of the first session of the board of supervisors of the Company considered and approved the proposal to appoint Mr. Fu Yanbing as a Shareholder representative supervisor of the Company to fill the vacancy arising from the resignation of Mr. Li Wenhong. The appointment of Mr. Fu Yanbing is subject to the approval of the Shareholders at the EGM by way of an ordinary resolution.

The biographical details of Mr. Fu Yanbing are set out below:

Mr. Fu Yanbing (傅炎冰), aged 27, is the chief of the fund investment department of Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心) and a senior vice-president of Beijing Equity Investment Development and Management Co., Ltd. (北京股權投資發展管理有限公司). Mr. Fu was an assistant of the fund investment department of Beijing State-owned Capital Operation and Management Center from July 2011 to July 2013 and has been the chief of the fund investment department of Beijing State-owned Capital Operation and Management Center since July 2013. Mr. Fu has been a senior vice-president of Beijing Equity Investment Development and Management Co., Ltd. since March 2015. Mr. Fu obtained a Bachelor's degree majoring in basic mathematical science (數學基礎科學) from Tsinghua University in July 2009 and a Master's degree majoring in applied economics (應用經濟學) from Tsinghua University in July 2011.

Save as disclosed above, Mr. Fu Yanbing has not held any directorships in any other listed companies for the last three years or any other positions in the Company or its subsidiaries. Mr. Fu Yanbing does not have any relationship with any Director, supervisor, senior management or substantial or controlling shareholder of the Company. As at the date of this circular, Mr. Fu Yanbing does not have any interests in the Shares of the Company within the meaning of Part XV of the SFO.

Upon the appointment of Mr. Fu Yanbing as a Shareholder representative supervisor approved by the Shareholders at the EGM, the Company will enter into a service contract with Mr. Fu Yanbing in accordance with the applicable laws and regulations of the PRC for

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a term starting from the date of the approval by the Shareholders at the EGM to the expiry date of the terms of office of the members of the current board of supervisors. Mr. Fu Yanbing will not receive any remuneration for acting as a supervisor.

Save as disclosed above, there is no other information about the appointment of Mr. Fu Yanbing which is required to be disclosed under Rule 13.51(2) of the Hong Kong Listing Rules nor are there any other matters which need to be brought to the attention of the Shareholders.

VI. EGM

The EGM will be held at Conference Room 620, Building 2, No. 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 9:30 a.m. on Thursday, 28 January 2016, to consider and approve: (1) the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement; (2) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement; (3) the revision of the annual cap of the revenue transactions for the financial year ending 31 December 2016; (4) the proposed appointments of Mr. Guan Jifa and Ms. Guo Yanhong as non-executive Directors of the Company; and (5) the proposed appointment of Mr. Fu Yanbing as a supervisor of the Company. A notice convening the EGM is set out on page 62 to 64 of this circular. A proxy form and a reply slip for the EGM are also enclosed herewith.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon as soon as possible. For holders of H Shares, the proxy form should be returned to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in hand or by post not less than 24 hours before the time stipulated for convening the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip on or before Thursday, 7 January 2016.

VII. VOTES BY WAY OF POLL

According to the Hong Kong Listing Rules and the Articles of Association, the resolutions set out in the notice of the EGM will be voted on by way of poll. Results of the poll voting will be posted on the website of the Company at www.bjucd.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk upon the conclusion of the EGM.

As the controlling shareholder of the Company, BUCG is deemed to have material interests in the Supplemental Agreement to the Existing Non-competition Agreement and the Supplemental Agreement to the Integrated Services Framework Agreement as well as the revision of the relevant annual cap. BUCG and its associates shall, therefore, abstain from voting on the resolutions in relation to (i) the amendments to the Existing

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Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement; (ii) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement; and (iii) the revision of the annual cap of the revenue transactions for the financial year ending 31 December 2016 at the EGM.

VIII. RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, which sets out its recommendations to the Independent Shareholders, on page 30 to page 31 of this circular;
- (b) the letter from Somerley, which sets out its opinions and recommendations to the Independent Board Committee and the Independent Shareholders, on page 32 to page 55 of this circular; and
- (c) further information set out in the appendices to this circular.

After considering the factors disclosed in the section headed “Reasons for and Benefits of the Supplemental Agreement to the Existing Non-competition Agreement” above, the Directors (excluding (i) the independent non-executive Directors, whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular; and (ii) Ms. Wang Liping, Mr. Chen Daihua and Mr. Tang Shuchang who have abstained from voting at the meeting of the Board to approve the Supplemental Agreement to the Existing Non-competition Agreement) are of the opinion that the Supplemental Agreement to the Existing Non-competition Agreement and the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement.

After considering the factors disclosed in the section headed “Reasons for and Benefits of the Supplemental Agreement to the Integrated Services Framework Agreement and the Revision of the Relevant Annual Cap” above, the Directors (excluding (i) the independent non-executive Directors, whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular; and (ii) Ms. Wang Liping, Mr. Chen Daihua and Mr. Tang Shuchang who have abstained from voting at the meeting of the Board to approve the Supplemental Agreement to the Integrated Services Framework Agreement and the revision of the relevant annual cap) are of the opinion that the Supplemental Agreement to the Integrated Services Framework Agreement and the terms thereof and the revision of the relevant annual cap are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement; and (ii) the revision of the annual cap of the revenue transactions for the financial year ending 31 December 2016.

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The Board is also of the opinion that the resolutions in relation to the proposed appointments of non-executive Directors and a supervisor are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to approve the appointments of Mr. Guan Jifa and Ms. Guo Yanhong as non-executive Directors and Mr. Fu Yanbing as a supervisor of the Company.

Yours faithfully,

By order of the Board

Beijing Urban Construction Design & Development Group Co., Limited

Wang Liping

Chairman



北京城建设计发展集团股份有限公司
BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

Beijing Urban Construction Design & Development Group Co., Limited
北京城建设计发展集团股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1599)

Independent non-executive Directors:

Zhang Fengchao

Wang Dexing

Sun Maozhu

Liang Qinghuai

11 December 2015

To the Independent Shareholders:

Dear Sir or Madam,

CONNECTED TRANSACTIONS

**(1) AMENDMENTS TO THE EXISTING NON-COMPETITION
AGREEMENT; AND**

**(2) ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT
TO THE INTEGRATED SERVICES FRAMEWORK AGREEMENT AND
REVISION OF RELEVANT ANNUAL CAP RESULTING FROM
AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT**

Reference is made to the circular of the Company dated 11 December 2015 (the “Circular”, of which this letter forms a part). Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders on whether (i) the Supplemental Agreement to the Existing Non-competition Agreement and the terms thereof and (ii) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement and the revision of the relevant annual cap resulting from amendments to the Existing Non-competition Agreement are fair and reasonable and are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Somerley has been appointed as the Independent Financial Adviser to give advice to the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to:

- (a) the letter from the Board, which sets out the information about (i) the Supplemental Agreement to the Existing Non-competition Agreement, on page 8 to page 16 of the Circular; and (ii) the Supplemental Agreement to the Integrated Services Framework Agreement and the revision of the relevant annual cap resulting from amendments to the Existing Non-competition Agreement, on page 16 to page 24 of the Circular;
- (b) the letter from Somerley, which sets out its advice to the Independent Board Committee and the Independent Shareholders, on page 32 to page 55 of the Circular; and
- (c) further information set out in the appendices to the Circular.

Having considered (i) the terms of the Supplemental Agreement to the Existing Non-competition Agreement, (ii) the terms of the Supplemental Agreement to the Integrated Services Framework Agreement and the revision of the relevant annual cap, and (iii) the advice and recommendations of Somerley, and taken into account the principal factors and reasons considered by Somerley, we are of the opinion that (i) the amendments to the Existing Non-competition Agreement by entering into of the Supplemental Agreement to the Existing Non-competition Agreement, though not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms; and (ii) the entering into the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms.

Therefore, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the Supplemental Agreement to the Existing Non-competition Agreement, (ii) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement, and (iii) the revision of the annual cap of the relevant revenue transactions for the financial year ending 31 December 2016.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Zhang Fengchao

Mr. Wang Dexing

Mr. Sun Maozhu

Mr. Liang Qinghuai

Independent non-executive Directors

LETTER FROM SOMERLEY

The following is the text of a letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular.



Somerley Capital Limited
20th Floor
China Building
29 Queen's Road Central
Hong Kong

11 December 2015

*To: the Independent Board Committee and the Independent Shareholders of
Beijing Urban Construction Design & Development Group Co., Limited*

Dear Sirs,

CONNECTED TRANSACTIONS:
(1) AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT;
AND
(2) ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO
THE INTEGRATED SERVICES FRAMEWORK AGREEMENT AND
REVISION OF RELEVANT ANNUAL CAP RESULTING FROM
AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the amendments to the Existing Non-competition Agreement by entering into of the Supplemental Agreement to the Existing Non-competition Agreement; and (ii) the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-Competition Agreement, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 11 December 2015 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the letter from the Board in the Circular, BUCG and the Company entered into the Supplemental Agreement to the Existing Non-competition Agreement on 29 October 2015, pursuant to which to allow BUCG, under specific limited circumstances only, to assist or cooperate the Company in bidding for certain urban rail transit construction projects, without which the Company would not be able to bid for or participate in such projects. Details of the Supplemental Agreement to the Existing Non-competition Agreement are set out in the sub-section headed “4. The Supplemental Agreement to the Existing Non-competition Agreement” under the section headed “III. AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT” below.

LETTER FROM SOMERLEY

Also as stated in the letter from the Board in the Circular, BUCG and the Company entered into the Supplemental Agreement to the Integrated Services Framework Agreement on 9 December 2015, pursuant to which to incorporate the new continuing connected transactions resulting from the amendments to the Existing Non-competition Agreement into the Integrated Services Framework Agreement, by amending the service scope, transaction rules and pricing principles of the services to be provided by the Company to BUCG under the existing Integrated Services Framework Agreement. Details of the Supplemental Agreement to the Integrated Services Framework Agreement are set out in the sub-sections headed “4. Principal terms of the Supplement Agreement to the Integrated Services Framework Agreement” under the section headed “IV. AMENDMENTS TO THE INTEGRATED SERVICES FRAMEWORK AGREEMENT AND THE REVISION OF THE RELEVANT ANNUAL CAP” below.

As at the Latest Practicable Date, BUCG held 44.87% of the Company’s issued shares and is therefore a controlling shareholder and connected person of the Company under the Hong Kong Listing Rules. According to Chapter 14A of the Hong Kong Listing Rules, amending the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement between the Company and BUCG constitutes a connected transaction of the Company and shall comply with the requirements of reporting, announcement and approval by the Independent Shareholders under the Hong Kong Listing Rules. In addition, according to Chapter 14A of the Hong Kong Listing Rules, as the highest of the applicable size test percentage ratios (as defined in the Hong Kong Listing Rules) for entering into the Supplemental Agreement to the Integrated Services Framework Agreement and revising the annual cap of the relevant revenue transactions under the existing Integrated Services Framework Agreement for the year ending 31 December 2016 is higher than 5%, such continuing connected transactions are subject to the reporting, annual review, announcement and the independent shareholders’ approval requirements under the Hong Kong Listing Rules.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Zhang Fengchao, Mr. Wang Dexing, Mr. Sun Maozhu and Mr. Liang Qinghuai, has been established for the purpose of advising the Independent Shareholders in respect of (i) the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement; and (ii) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

In formulating our opinion, we have reviewed, amongst others, the Existing Non-competition Agreement, the Supplemental Agreement I to the Non-competition Agreement, the Supplemental Agreement to the Existing Non-competition Agreement, the Integrated Services Framework Agreement, the Supplemental Agreement to the Integrated Services Framework Agreement and the information contained in the Circular. We have also discussed with, and reviewed information provided by, the management of the Group regarding the businesses of the Group and the prospects of the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement and the entering into the Supplemental Agreement to the Integrated Services Framework Agreement.

LETTER FROM SOMERLEY

We have relied on the information and facts supplied, and the opinions expressed to us, by the Directors and the management of the Group and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation with regard to the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement and the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement, we have taken into account the principal factors and reasons set out below.

I. INFORMATION ON THE GROUP

The H Shares of the Company were listed on the Hong Kong Stock Exchange on 8 July 2014. The Company is principally engaged in the design, survey and consultancy business in urban rail transit, industrial and civil construction and municipal engineering sector and construction contracting business in urban rail transit sector.

The Company has extensive experience in businesses related to rail transit. It has been leading and promoting the development of the urban rail transit industry in China. The Company, traces its origin as 北京城建設計總院 (Beijing Urban Construction Design & Research Institute), was established in 1958. It was a design institute established for the design and survey services of 北京地鐵1號線 (Beijing Subway Line Number 1), China's first subway line. As of January 2015, the Group has undertaken general design contracting for 88 urban rail transit lines in more than 20 cities of China, including 48 that have been under operation with a total length of 986 kilometers. It ranks first in China in terms of total length of operating projects under general urban rail transit design contracts. It boasts the largest market share and the strongest comprehensiveness in China as a general contractor of urban rail transit design projects. The Group has participated in the engineering contracting projects of 29 urban rail transit lines in China, including 61 stations and 69 sections. The projects cover all the main cities in China, including Beijing, Guangzhou, Shenzhen, Tianjin, Hangzhou and Dalian.

LETTER FROM SOMERLEY

As stated in the interim report of the Company for the six months ended 30 June 2015 (the “**2015 Interim Report**”), although urban rail transit construction in China has achieved notable development in recent years, and the Chinese economy has entered the “new normal” development period, China is still lagging far behind the developed countries in terms of the rail transit density. Notably, urban rail transit in China is still at a relatively low level, leaving extensive rooms for further development. The accelerated urbanisation in China, coupled with the further stepped-up integration of Beijing-Tianjin-Hebei areas and the promotion of regional rail transit among cities, will provide business development opportunities for the Group. The Company is optimistic about the urban rail transit construction industry in China. Based on our discussion with the management of the Group, they confirmed that, as at the Latest Practicable Date, the Group intends to focus on the development of urban rail transit business and has no current intention to engage in any business other than urban rail transit business in China.

II. INFORMATION ON BUCG

BUCG is the controlling shareholder of the Company, holding 44.87% of issued shares of the Company. It is a wholly State-owned limited liability company under the Beijing Municipal Government and directly under the supervision of Beijing State-Owned Assets Supervision and Administration Commission. It is principally engaged in the construction contracting, real estate development and design and consultation businesses. In December 2012, BUCG transferred its urban rail transit construction contracting business and related assets to the Company at nil consideration (the “**Reorganisation**”). Such business and assets became part of the Company’s business segment of construction contracting upon completion of the Reorganisation. Independent Shareholders please refer to “History, Reorganisation and Corporate Structure — Corporate Structure and Business Segments — Reorganisation” section in the prospectus of the Company dated 25 June 2014 (the “**Prospectus**”) for details about the Reorganisation. In addition, upon completion of the Reorganisation, other than the minority interests held in three investee companies, BUCG no longer retained any business and assets related to urban rail transit construction. Also, after the Company obtained the business qualifications for urban rail transit construction operation, BUCG’s relevant qualifications were also cancelled. Therefore, BUCG no longer possessed the qualifications for urban rail transit construction operation and was no longer eligible to engage in urban rail transit construction operation. It also no longer engaged in any general urban rail transit construction contracting (including general contracting of construction) business.

III. AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT

1. The Existing Non-competition Agreement

Along the same vein as the Reorganisation, BUCG and the Company entered into a non-competition agreement on 24 January 2014, pursuant to which BUCG shall not involve in the core businesses of the Company. This agreement was amended by the Supplemental Agreement I to the Non-competition Agreement dated 16 June 2014 (together with the Supplemental Agreement I to the Non-competition Agreement, collectively referred to as the Existing Non-competition Agreement), pursuant to which BUCG has undertaken that during the term thereof (i.e. the period upon the Company's H Shares listed on the Hong Kong Stock Exchange, until, whichever is earlier, (i) the shareholding of BUCG and its subsidiaries and associates in the Company is below 30% or BUCG is no longer deemed as the controlling shareholder of the Company; or (ii) the Company's H Shares are no longer listed on the Hong Kong Stock Exchange), among other things, it will not and (i) will procure its subsidiaries and associates not to, and (ii) will procure its relevant investee companies, through the exercise of its voting rights in such companies, not to:

- (1) by itself or assist any other to engage or participate in any form, whether directly or indirectly, in any business that competes or will compete or is likely to compete with the core businesses of the Company; or
- (2) hold any equity or interest in any competing business through any third party.

BUCG has further undertaken in the Existing Non-competition Agreement that during the term thereof, if BUCG becomes aware of any new business opportunities which are identical with or similar to the core businesses of the Company:

- (1) it will notify the Company in writing as soon as possible within three days after becoming aware of such new business opportunity and will provide the Company with all information and reasonable assistance, including procuring its subsidiaries and associates to provide the Company with the relevant information, for the Company to consider whether or not to take up or bid for such new business opportunity; and
- (2) if the Company, having considered the relevant information, decides not to take up or bid for the new business opportunity (including any business related to planning, survey, design and/or consultancy), BUCG undertakes not to take up or participate in such new business opportunity in any manner (unless otherwise agreed in the agreement) (collectively, the **"Non-competition Undertaking"**).

LETTER FROM SOMERLEY

Pursuant to the Existing Non-competition Agreement, the core businesses of the Company include:

- (1) planning, survey, design and consultancy businesses, including but not limited to urban rail transit and transportation construction and planning, survey, design and consultancy business of municipal engineering and industrial and civil construction (excluding landscape business);
- (2) Engineering-Procurement-Construction contracting, Procurement-Construction contracting, investments and operation of urban rail transit (including but not limited to subway, light rail, tram, city rapid rail transit, monorail and maglev) and its integrated and related projects; and
- (3) urban rail transit related proprietary and jointly-owned patented technology transformation businesses (including technology transfer and commercialisation).

We understand that, pursuant to the Non-competition Undertaking under the Existing Non-competition Agreement, if the Company cannot bid for certain urban rail transit construction projects relating to its core businesses due to its failure to meet the bidding requirements under the three situations as stated in sub-section headed “2. Background of the amendments to the Existing Non-competition Agreement” below, and by virtue of BUCG’s undertaking not to engage in the core businesses of the Company, BUCG cannot bid for such projects even if it is willing to assist the Company in the bidding and then sub-contract the awarded contract to the Company on a no profit basis to BUCG. This restriction also applies to situation where the Company and BUCG are to form a consortium, with or without other parties, to provide project financing for a project involving the core businesses of the Company.

2. Background of the amendments to the Existing Non-competition Agreement

As stated in the Circular, the Company was aware that, if the Company cannot bid for projects relating to its core business due to its failure to meet the bidding requirements under the three situations below, even if BUCG is willing to assist the Company in the bidding and such assistance is nevertheless restricted by the Non-competition Undertaking.

Situation (1): the project financing requirements of an engineering and construction project beyond the financing capabilities of the Company

There have been relatively great changes in engineering and construction projects in the PRC during the last two years, including urban rail transit construction projects, which are the core business of the Company. To strengthen the regulation of local government debts and to promote financing of engineering and construction projects through the market, the PRC Government has been rigorously promoting the public-private partnership (“PPP”) model since the second half of 2014. PPP projects are usually larger in scale and have higher financing requirements. As a result, the project financing ability of the bidders has become one

of the key factors considered by project owners. BUCG is a large integrated wholly State-owned construction enterprise and has a stronger project financing ability. In respect of those PPP projects with higher financing requirements, the Company may not be able to meet such requirements by itself and may therefore lose the chance to bid for such projects. However, leveraging on BUCG's relatively stronger financing ability and background as a large wholly State-owned enterprise, the Company's chance of winning such projects and expanding its business will be greatly enhanced, if it is able to bid for such projects jointly with BUCG.

Situation (2): the Company's previous provision of design and consultancy services at the preparatory stage or for supervisory work of an engineering and construction project restricting the Company from bidding for the engineering and construction work of the project

The Company's core businesses also include the provision of design and consultancy services at the preparatory stage or for supervisory work of engineering and construction projects. However, pursuant to Section 35 of 《工程建設項目施工招標投標辦法》 (“**The Provisions on Tender and Bidding of Construction Projects**”), the entity that provides design or consultancy services at the preparatory stage or for supervisory work of a project for tender is not eligible to bid for the project. However, the relevant regulations do not prohibit such enterprise from participating in the engineering and construction work of such project in the capacity as a sub-contractor. Therefore, if the Company provides design or consultancy services at the preparatory stage or for supervisory work of a project, BUCG may bid for such project and, subject to the provisions of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded project to the Company.

As disclosed in the Prospectus, upon the reorganisation of the Company for the purpose of its listing on the Hong Kong Stock Exchange, BUCG transferred its professional qualifications for urban rail transit engineering and construction to the Company. After such transfer, BUCG no longer had the professional qualifications to conduct urban rail transit engineering and construction work. However, with effect from January 2015, no professional qualification is required to participate in the urban rail transit engineering and construction work in the PRC, other than the usual qualifications which are required for construction enterprises. In this regard, subject to the Existing Non-competition Agreement, there are no restrictions limiting BUCG from bidding or bidding with the Company for urban rail transit engineering and construction contracts. However, the Existing Non-competition Agreement restricts the ability of the Company and BUCG from leveraging their respective strengths to cooperate on a project or jointly bid for a project within the Company's core business for the Company's benefits.

Situation (3): the special bidding requirements of an engineering and construction project, but only to the extent that the Company alone cannot meet the bidding requirements in relation to the bidder's net assets, total assets, grading level and/or qualification level

With the increasing urbanisation and the increase in size of urban rail transit projects in the PRC, more and more urban rail transit engineering and construction projects have specific requirements of the bidders, for example, in terms of their asset size and grading level/qualification level. Bidders who do not meet such requirements are excluded from participating at the bidding stage. For instance, in some provinces, the project owner, which may be the provincial or municipal government or a State-owned entity under the provincial or municipal government, may require the bidder to be an enterprise at 正局級 (bureau level), which is higher than the grading level of the Company (being an enterprise at 副局級 (sub-bureau level)). Also, some engineering and construction projects may require the bidder to hold 房屋建築工程施工總承包特級資質 (Elite Qualification in General Construction Contracting for Building Construction). As the Company holds 房屋建築工程施工總承包一級資質 (Class A Qualification in General Construction Contracting for Building Construction), which is already a very high level qualification, but not as high as the Elite Qualification, the Company is unable to meet such requirement.

3. Analysis of the negative impacts of the above situations on the Group

Situation (1): the project financing requirements of an engineering and construction project beyond the financing capabilities of the Company

As stated in the 2015 Interim Report, to further regulate debt management of local governments and promote market transformation of financing platform companies, in September 2014, the Chinese Government promulgated 《關於加強地方政府性債務管理的意見》 (“**The Opinions on Issues Concerning the Enhancement of Debt Management of the Local Governments**”) to vigorously implement the PPP capital cooperation model and various Chinese Government departments and markets are significantly exploring and advancing the PPP model in 2015. Based on our research, we note that there has been growing competition in the participation of urban rail transit projects by way of PPP model. For instance, in May 2015, Greenland Holding Group, Shanghai Construction Group Co. and CCB Trust Co. have announced plans to set up a subway transportation fund with asset under management of RMB100 billion to support the development of rail transit lines in Chinese cities using PPP model. Affected by the changes in the mode of investment, related industries which are mainly directed by governmental investments, including urban rail transit projects, the construction development of which will be experiencing temporary adjustments in the near term.

In the pre-qualification announcements of the PPP projects issued by the project owners that provided by the management of the Group, we noticed that the project owners have a relatively higher requirement on the bidders' financing capacity. For example, a project owner required its bidders to have total assets of RMB10 billion or above and net assets of RMB4 billion or above as at 31 December

2014, so as to meet the subsequent financing needs of the project, whilst the consolidated total assets and consolidated net assets of the Company were approximately RMB6.7 billion and approximately RMB2.6 billion as at 31 December 2014, respectively. On the other hand, the consolidated total assets and consolidated net assets of BUCG were approximately RMB98.6 billion and approximately RMB21.2 billion as at 31 December 2014, respectively. Hence, in respect of such PPP project, the Group may not be able to meet such requirements on project financing by itself, and subject to the relevant restrictions under the Non-competition Undertaking, the Company also cannot, leveraging on BUCG's relatively stronger financing ability and background as a large wholly State-owned enterprise, bid for such project jointly with BUCG. As a result, the Group may therefore lose a valuable opportunity to bid for such project. In addition, we noticed that the bidding documents in the market contain provisions allowing bidding by way of forming a consortium. Such provisions confirmed that, to a certain extent, it is an acceptable way in the market for the Company to bid for projects jointly with BUCG by way of forming a consortium.

Situation (2): the Company's previous provision of design and consultancy services at the preparatory stage or for supervisory work of an engineering and construction project restricting the Company from bidding for the engineering and construction work of the project

We reviewed the requirement under Section 35 of 《工程建設項目施工招標投標辦法》 (“**The Provisions on Tender and Bidding of Construction Projects**”), pursuant to which, the entity that provides design or consultancy services at the preparatory stage or for supervisory work of a project for tender is not eligible to bid for the project. Provision of design and consultancy business of urban rail transit and transportation construction is the core business of the Company, which can be construed as the provision of design and consultancy services at the preparatory stage or for supervisory work of engineering and construction projects. Therefore, such requirement prohibits the Company from participating in the bidding for the relevant construction projects. However, pursuant to the legal advice from Haiwen & Partners, the legal advisers of the Company as to the PRC laws, the relevant PRC laws and regulations do not prohibit the Company from participating in the engineering and construction work of such project in the capacity as a sub-contractor. Therefore, as stated in the sub-section headed “2. Background of the amendments to the Existing Non-competition Agreement” above, BUCG may bid for such project and, subject to the provisions of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded project to the Company.

LETTER FROM SOMERLEY

Situation (3): the special bidding requirements of an engineering and construction project, but only to the extent that the Company alone cannot meet the bidding requirements in relation to the bidder's net assets, total assets, grading level and/or qualification level

As described in the Situation (3) above, with the increasing urbanisation and the increase in size of urban rail transit projects in the PRC, more and more urban rail transit engineering and construction projects have specific requirements of the bidders, for example, in terms of their asset size and grading level/qualification level. Bidders who do not meet such requirements are excluded from participating at the bidding stage. We have conducted research on the bidding requirements imposed by project owners of urban rail transit engineering and construction projects and obtained from the Company certain bidding documents of the urban rail transit engineering and construction projects, which the Company had once considered to participate but was unable to do so due to the specific requirements imposed by the project owners, from early 2015 and up to the Latest Practicable Date.

The following table is the comparison between the requirement imposed by the project owners for the asset size and grading level/qualification level as set out in the urban rail transit project tendering documents we examined and the relevant asset size and grading level/qualification level of the Company and BUCG:

	Total assets	Net assets	Grading level	Qualification level of construction company
Requirements of project owner for the asset size and grading level/qualification level (Note 1)	RMB10 billion or above as at 31 December 2014 (Note 2)	RMB4 billion or above as at 31 December 2014 (Note 2)	正局級 (Bureau level) (Note 3)	<p>- 房屋建築工程施工總承包特級 (Elite Qualification in General Construction Contracting for Building Construction) (Note 4)</p> <p>- 市政公用工程施工總承包一級 (Class A Qualification in General Construction Contracting for Municipal Engineering (including rail transit)) (Note 2)</p> <p>- 市政公用工程或鐵路工程專業一級建造師執業資格 (Grade One Constructor of Municipal Engineering or Railway Engineering) (Note 5)</p>

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	Total assets	Net assets	Grading level	Qualification level of construction company
Asset size and grading level/qualification level of the Company	The consolidated total assets were approximately RMB6.7 billion as at 31 December 2014	The consolidated net assets were approximately RMB2.6 billion as at 31 December 2014	副局級 (Sub-bureau level) (Note 3)	<ul style="list-style-type: none"> - 房屋建築工程施工總承包一級資質 (Class A Qualification in General Construction Contracting for Building Construction) - 市政公用工程施工總承包一級 (Class A Qualification in General Construction Contracting for Municipal Engineering) - 城市軌道交通工程專業承包資質 (Special Qualification in Urban Rail Transit Engineering Contracting)
Asset size and grading level/qualification level of BUCG	The consolidated total assets were approximately RMB98.6 billion as at 31 December 2014	The consolidated net assets were approximately RMB21.2 billion as at 31 December 2014	正局級 (Bureau level) (Note 3)	<ul style="list-style-type: none"> - 房屋建築工程施工總承包特級 (Elite Qualification in General Construction Contracting for Building Construction) - 公路工程施工總承包特級 (Elite Qualification in General Construction Contracting for Highway Construction) - 市政公用工程施工總承包一級 (Class A Qualification in General Construction Contracting for Municipal Engineering) - 機電安裝工程施工總承包一級 (Class A Qualification in General Construction Contracting for Electrical and Mechanical Equipment Installation) - 城市軌道交通工程專業承包資質 (Special Qualification in Urban Rail Transit Engineering Contracting) - 鋁結構工程專業承包一級 (Class A Qualification in Aluminum Structure Construction Contracting)

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Notes:

1. The requirements for asset size and grading level/qualification level from the project owners in the table above are the highest value or level of 5 urban rail transit project tendering documents examined by us. The purpose of this analysis is to illustrate high asset size and grading level/qualification level requirements do exist in the market that would prove prohibitive for the Company to participate in the bidding without the assistance of BUCG. We are of the view that the 5 project tendering documents is a fair and representative sample to form a conclusion for the analysis of this kind.
2. According to 《烏魯木齊市軌道交通二號綫一期PPP項目資格預審公告》 (“The Pre-qualification Announcement on the PPP project of the Phase I of Urumqi City Rail Transit Line Number 2”).
3. Based on the management representations set out in the letter from the Board in the Circular.
4. According to 《廣州市軌道交通三號綫北延段13標土建工程施工總承包招標公告》 (“Tendering Announcement on the Civil Works Construction Contract of the Phase I of Guangzhou City Rail Transit Line Number 3 Northern Extension Section 13”).
5. According to 《北京地鐵19號綫一期工程土建施工02合同段施工招標 – 資格預審文件》 (“The Pre-qualification Document on the Phase 1 Civil Construction 02 Contract of the Beijing Subway Line Number 19”).

Based on the requirements as stated in the bidding documents, we noticed that the Company alone usually cannot meet one or more of the above requirements in respect of asset size and grading level/qualification level. In contrast, BUCG has a relatively stronger financing ability and background as a large wholly State-owned enterprise. It can easily meet all the requirements imposed by the project owners. It can help the Group by forming a consortium with the Company or bidding for such project and, subject to the provisions of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded project to the Company, on a no profit basis to BUCG.

4. The Supplemental Agreement to the Existing Non-competition Agreement

The principal terms of the Supplemental Agreement to the Existing Non-competition Agreement are as follows:

- (1) The Supplemental Agreement to the Existing Non-competition Agreement is conditional upon the approval of the Independent Shareholders at the EGM. This requirement is based on the approval requirement of the Hong Kong Listing Rules on the relevant amendments so it has to be reflected as a condition precedent to the Supplemental Agreement to the Existing Non-competition Agreement.
- (2) Compared with the Existing Non-competition Agreement, the Supplemental Agreement to the Existing Non-competition Agreement has added a new provision providing for the co-operations between the Company and BUCG in certain specific situations as follows:

“Clause 3.8: If the Company is restricted from bidding for an engineering and construction project by reason of:

Situation (1): the project financing requirements of such project beyond the financing capabilities of the Company;

LETTER FROM SOMERLEY

Situation (2): the Company's previous provision of design and consultancy services at the preparatory stage or for supervisory work of such project restricting the Company from bidding for the engineering and construction work of the project; and/or

Situation (3): the special bidding requirements of such project, but only to the extent that the Company alone cannot meet the bidding requirements in relation to the bidder's net assets, total assets, grading level and/or qualification level,

the Company may in respect of:

Situation (1) above: the Company to bid for PPP or similar type of project jointly with BUCG or through a consortium formed by the Company, BUCG and other parties, if applicable, and finance such project jointly with BUCG or the Company jointly with BUCG and other parties; or

Situation (2) above: BUCG to bid for such project and then subcontract part or parts of the awarded project to the Company, subject to the provisions of the relevant bidding documents and in compliance with the relevant laws and regulations, on a no profit basis to BUCG; or

Situation (3) above: the Company to form a consortium with BUCG to bid for such project or BUCG to bid for such project and subcontract, on a no profit basis to BUCG, part or parts of the awarded project to the Company, subject to the provisions of the bidding documents and in compliance with the relevant laws and regulations or such other ways of cooperation as permitted by the project owner on a no profit basis to BUCG,

provided that in each of the above situations, the independent non-executive Directors have prior reviewed and approved such cooperation with BUCG.

If any of the above situations arises, the Company shall convene a meeting of the independent non-executive Directors as soon as possible for the independent non-executive Directors to consider the proposed co-operation project with BUCG and the scope and terms of the cooperation. If over three-fourths of the independent non-executive Directors present at the meeting or through written resolution voted for the co-operation with BUCG, BUCG may bid for or participate in such project jointly with the Company in accordance with the approved proposal. In respect of any such co-operations, the following general principles shall apply: (i) for any subcontracting arrangements, BUCG shall not obtain or be entitled to any profit from its involvement as the general contractor of an awarded project; and (ii) for participation by BUCG in PPP or similar urban rail transit projects, any financial assistance in terms of loans or provision of guarantee will be proportionate to the respective equity interests of the Company, BUCG and other participants (if applicable) in the relevant project company of the PPP

project, and where such financial assistance is not proportionate to their respective equity interests, any such financial assistance shall be in compliance with the Hong Kong Listing Rules. The Company shall also comply with the disclosure and approval requirements, if applicable, under the Hong Kong Listing Rules for assistance or cooperation, if any, provided by BUCG to the Company under the Supplemental Agreement to the Existing Non-competition Agreement.”

We are of the opinion that, the adoption of the above measures in respect of obtaining approval from the independent non-executive Directors and complying the relevant requirements of the Hong Kong Listing Rules can ensure the Company and BUCG complying with the terms contained in the Supplemental Agreement to the Existing Non-competition Agreement. We also consider that the requirement for the Company to perform all necessary follow-up compliance actions can enhance the transparency of the proposed cooperation and effectively safeguard the interests of the Company and the Shareholders as a whole.

Other than the above amendments, the other major terms of the Existing Non-competition Agreement remain unchanged.

5. Details on the forms of future cooperation between BUCG and the Company

The Supplemental Agreement to the Existing Non-competition Agreement will enable BUCG and the Company to cooperate and bid for new projects under specific limited circumstances, which otherwise the Company may not be able to obtain by itself. New business opportunities may come from BUCG or from the Company. Depending on the requirements of a project, the Company or BUCG may initiate the bidding. Terms and forms of cooperation may then be discussed between the Company and BUCG before submitting any tender or bidding. Cooperation may take several forms, including:

- (i) forming a consortium with BUCG, with or without other third party or parties, to bid for an urban rail transit engineering and construction project (whether for project financing or other purposes), and depending on the size of the financing, participation in financing the awarded contract by parties to the consortium by way of shareholders’ loans and/or loans by other financiers. Depending on the terms of the project, BUCG may or may not take a leading role in such consortium. Participation by BUCG and the Company in the equity of the project company is required in order for BUCG and the Company to provide financing to the project company as equity holders and/or from other financiers. Through such forms of participation, BUCG, and same for the Company, will receive returns on its investment, through profit distribution and interest payments of the shareholders’ loans to the project company; and
- (ii) for BUCG to bid for an urban rail transit engineering and construction project as a general contractor and, within the limits specified by the bidding documents and in compliance with the relevant laws and regulations and on a no profit basis to BUCG, sub-contract part or parts of the awarded project to

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the Company (part or parts may have to be sub-contracted to independent third party or parties for technical requirement reason) and enter into arrangements for the provision of equipment leasing and management services by the Company to BUCG. Haiwen & Partners, the legal advisers of the Company as to the PRC laws, are of the opinion that the above sub-contracting arrangement and provision of equipment leasing and management services by the Company to BUCG do not breach the applicable laws and regulations of the PRC.

As disclosed in the letter from the Board in the Circular, it is not the intention nor is it the purpose of the Supplemental Agreement to the Existing Non-competition Agreement to enable BUCG to engage in any urban rail transit projects in competition with the Company. Based on the Supplemental Agreement to the Existing Non-competition Agreement, any bidding or cooperation provided by BUCG in any urban rail transit projects must be for the benefit of the Company and not otherwise. Any involvement of BUCG in bidding or obtaining any such urban rail transit projects is confined to the Situations (1) to (3) mentioned above, but not in any other circumstances. Under Situation (1) above, BUCG shall not bid or participate in an urban rail transit PPP or similar project without the participation by the Company. Under Situation (2) above, BUCG will only bid for those projects which the Company has provided design or consultancy services with a view to sub-contracting the awarded project to the Company, in accordance with the terms of the bidding documents and in compliance with PRC laws and regulations. Same for Situation (3) above, where the Company is restricted from bidding because of the higher bidding requirements in relation to the bidder's net assets, total assets, grading level and/or qualification level, BUCG will bid with a view to, and pursuant to the Supplemental Agreement to the Existing Non-competition Agreement, sub-contracting the awarded project to the Company in accordance with the terms of the bidding documents and in compliance with PRC laws and regulations.

Based on our discussion with the management of the Company, we are given the understanding that, irrespective of the form of the future cooperation to be taken between the Company and BUCG, pursuant to the Supplemental Agreement to the Existing Non-competition Agreement, BUCG will nevertheless be required to adhere to the principles in the Existing Non-competition Agreement by not engaging or participating in the core businesses of the Company. On this basis, we are of the view that the Existing Non-competition Agreement, together with the Supplemental Agreement to the Existing Non-competition Agreement, can safeguard the Company's interest by prohibiting BUCG to enter into the competing business without involvement of the Company. We are of the view that the future cooperation between BUCG and the Company pursuant to the abovementioned principles is complementary to and not in competition with the Company's core business.

Furthermore, in respect of subcontracting arrangements between BUCG and the Company, on the bases that (i) BUCG shall not obtain or be entitled to any profit from its involvement as the general contractor of an awarded project under subcontracting arrangements; (ii) any such subcontracting arrangement shall comply with the relevant laws and regulations; (iii) sub-contracting to independent third party or parties is due to technical requirement of the relevant projects; (iv) the entering into arrangements for the

provision of equipment leasing and management services by the Company to BUCG do not contravene the applicable laws and regulations of the PRC; and (v) BUCG will nevertheless adhere to the principles in the Existing Non-competition Agreement by not engaging or participating in the core businesses of the Company, we are of the view subcontracting arrangements between BUCG and the Company will not create competition to the Company's core business and we consider the subcontracting arrangement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Reasons for and benefits of the amendments to the Existing Non-competition Agreement

The Directors (excluding the independent non-executive Directors, whose opinion is set out in the section headed "Letter from the Independent Board Committee" in the Circular) are of the opinion that the Existing Non-competition Agreement, due to the absence of the enabling co-operation provisions, limits the Company's chance to bid for construction projects in the above situations. In particular, it limits the business opportunities of the Company by restricting the Company from bidding for and taking up certain engineering projects with BUCG by leveraging on their respective business strengths and/or resources in certain defined circumstances.

The purpose of the amendments to the Existing Non-competition Agreement is to allow BUCG, under specific limited circumstances only, to assist or cooperate the Company in bidding for those projects, without which the Company would not be able to bid for or participate in such projects. Further, BUCG has agreed that BUCG shall not obtain or be entitled to any profit from its participation in assisting the Company in the bidding for any urban rail transit project.

The Supplemental Agreement to the Existing Non-competition Agreement includes provisions which expressly set out the circumstances under which the Company may co-operate with BUCG and stipulates the internal approval procedures of the Company. Any proposed projects for cooperation with BUCG, together with the proposed scope and terms thereof, have to be reviewed by the independent non-executive Directors and approved by over three-fourths of the independent non-executive Directors present at the meeting or through written resolution.

Based on the above factors, the Directors (excluding the independent non-executive Directors, whose opinion is set out in the section headed "Letter from the Independent Board Committee" in the Circular) believe that (i) the Supplemental Agreement to the Existing Non-competition Agreement will help to improve the Company's position when its ability to bid for certain projects is limited and, through appropriate co-operations with BUCG in defined circumstances, enhance the Company's competitiveness to bid for, and its chance to win, certain large-scale PPP projects and other projects defined in the Supplemental Agreement to the Existing Non-competition Agreement. This will provide the Company with more opportunities to participate in such engineering and construction projects without having any adverse impact on the Group's interests; and (ii) BUCG would not compete with the Company relating to the core businesses of the Company by reason of the Supplemental Agreement to the Existing Non-competition Agreement and

any such cooperation or assistance is complementary to the Company's core businesses and not in competition with the Company's core businesses.

We agree with the view of the Directors that the Group is restricted by the three situations stated in the sub-section headed "2. Background of the amendments to the Existing Non-competition Agreement" above. The restrictions may bring adverse impact on the business and financial position of the Group in the long run. The Supplemental Agreement to the Existing Non-competition Agreement will fundamentally cope with the restrictions arising from the above situations to the Company, enhance the Group's competitiveness in bidding and improve its profitability and achieve mutual benefit by cooperating with BUCG.

IV. AMENDMENTS TO THE INTEGRATED SERVICES FRAMEWORK AGREEMENT AND THE REVISION OF THE RELEVANT ANNUAL CAP

1. The Integrated Services Framework Agreement

The Company and BUCG entered into the Integrated Services Framework Agreement on 18 June 2014, pursuant to which the Group provides BUCG, its subsidiaries and/or associates, from time to time in its ordinary and usual course of business, with integrated services ("**Integrated Services**") including (i) services relating to construction design, survey and consultancy, including but not limited to measurement, test, inspection of construction drawings; and (ii) training services and other services required by BUCG, its subsidiaries and/or associates to carry out their business.

2. Background of the Integrated Services Framework Agreement and the revision of the relevant annual cap

Upon the Supplemental Agreement to the Existing Non-competition Agreement becoming effective, BUCG may assist the Company to bid for urban rail transit projects under specific circumstances. Accordingly, BUCG may sub-contract part or parts of an awarded project to the Company in accordance with the bidding documents and in compliance with the relevant laws and regulations, and/or require the Company to provide specialised services, such as management services and equipment leasing. Sub-contracting arrangements and provision of specialised services by the Company to BUCG under Situations (2) and (3) set out in the Supplemental Agreement to the Existing Non-competition Agreement (the "**Situations (2) and (3) Continuing Connected Transactions**") will become new continuing connected transactions of the Company under the Hong Kong Listing Rules. As such, the Company proposes to amend the Integrated Services Framework Agreement by entering into a supplemental agreement to incorporate the Situations (2) and (3) Continuing Connected Transactions into the Integrated Services Framework Agreement (as amended) and to provide the revised annual cap of the revenue transactions for the year ending 31 December 2016.

3. Reasons for and benefits of the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap

The entering into of the Supplemental Agreement to the Integrated Services Framework Agreement is to incorporate the Situations (2) and (3) Continuing Connected Transactions into and be regulated by the Integrated Services Framework Agreement, by amending the service scope, transaction rules and pricing principles of the services to be provided by the Company to BUCG under the existing Integrated Services Framework Agreement. The terms of the Supplemental Agreement to the Integrated Services Framework Agreement are in line with the co-operation arrangement between the Company and BUCG set out in the Supplemental Agreement to the Existing Non-competition Agreement.

4. Principal terms of the Supplement Agreement to the Integrated Services Framework Agreement

Independent Shareholders' attention is drawn to the principal terms of the Supplemental Agreement to the Integrated Services Framework Agreement (as amended) summarised in the sub-section headed "(2) Supplemental Agreement to the Integrated Services Framework Agreement" under the section headed "III. ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE INTEGRATED SERVICES FRAMEWORK AGREEMENT AND REVISION OF RELEVANT ANNUAL CAP RESULTING FROM AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT" in the letter from the Board in the Circular.

We note that under the Supplemental Agreement to the Integrated Services Framework Agreement, the term of the Integrated Services Framework Agreement has been amended to be effective from the date of the Supplemental Agreement to the Integrated Services Framework Agreement up to 31 December 2016. Under the Supplemental Agreement to the Integrated Services Framework Agreement, there was an expanded scope of Integrated Services to create a new category of Integrated Services, being "project sub-contracting and/or specialised services, including but not limited to project management and equipment leasing pursuant to Situations (2) and (3) of the Supplemental Agreement to the Existing Non-competition Agreement". The Supplemental Agreement to the Integrated Services Framework Agreement also states that, in terms of the awarded projects cooperated with and/or bid by BUCG under Situations (2) and (3) set out in the Supplemental Agreement to the Existing Non-competition Agreement, BUCG shall, in accordance with the terms of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded contract to the Company and/or require specialised services from the Company on a no profit basis to BUCG.

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The entering into of the Supplemental Agreement to the Integrated Services Framework Agreement is expected to provide the framework for the Situations (2) and (3) Continuing Connected Transactions. The provision of project sub-contracting and/or specialised services by the Company to BUCG will be conducted by way of entering into of individual service contracts and the principal terms of such individual service contracts shall be bounded by the terms of the Integrated Services Framework Agreement (as amended).

Pursuant to the Integrated Services Framework Agreement (as amended), BUCG, its subsidiaries and/or associates shall not request the Company to provide services on terms more favourable than those offered to the independent third parties by the Company. In addition, the parties to the Integrated Services Framework Agreement (as amended) agree that the Situations (2) and (3) Continuing Connected Transactions shall be consummated in line with the applicable market practice (if any) and on normal commercial terms. In terms of the pricing of Integrated Services to be provided by the Company to BUCG pursuant to Situations (2) and (3) of the Supplemental Agreement to the Non-competition Agreement, the pricing of any such sub-contracting arrangements and specialised services will be based on Contractual Price (Situations (2) and (3) Sub-contracting) (i.e. the price attributable to part or parts of the awarded contract subcontracted to the Company under the contract awarded to BUCG in Situations (2) and (3) of the Supplemental Agreement to the Existing Non-competition Agreement) and the Contractual Price (Specialised Services) (i.e. the price attributable to the remaining part of the awarded contract under the contract awarded to BUCG, after deducting the price of the part subcontracted to third parties and the Contractual Price (Situations (2) and (3) Sub-contracting)). We understand the Contractual Price (Situations (2) and (3) Sub-contracting) and the Contractual Price (Specialised Services) charged to BUCG on Integrated Services will be in accordance with the terms of the bidding documents and in compliance with the relevant laws and regulations and BUCG will not obtain any profit out of the assistance or cooperation it provides to the Company in the Situations (2) and (3) Continuing Connected Transactions.

The independent non-executive Directors will review and approve any proposal to request BUCG to assist or cooperate in bidding to ensure that such proposals fall within Situation (2) or (3) of the Supplemental Agreement to the Existing Non-competition Agreement. Further, any such continuing connected transactions will be reviewed annually by the independent non-executive Directors in accordance with the requirements of Rule 14A.55 of the Hong Kong Listing Rules and their confirmations, if confirmed, will be disclosed in the annual report of the Company. The auditors of the Company will also review annually and provide the auditors confirmation (if confirmed) to the Company on such continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules. In addition, in accordance with the terms of the Existing Non-competition Agreement (as amended), the independent non-executive Directors will also review the compliance by BUCG with the Existing Non-competition Agreement (as amended) and disclose the results of such review in the annual report of the Company.

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We have reviewed the Supplemental Agreement to the Integrated Services Framework Agreement and note that the pricing term of the services are determined based on the basis as mentioned above. Having considered (i) the pricing term of Integrated Services will be determined in accordance with the applicable market practice (if any) and on normal commercial terms; (ii) the contractual prices to be charged to BUCG on Integrated Services will be in accordance with the terms of the bidding documents and in compliance with the relevant laws and regulations and BUCG will not obtain any profit out of the assistance or cooperation it provides to the Company in the Situations (2) and (3) Continuing Connected Transactions; and (iii) the independent non-executive Directors will review and approve any proposal to request BUCG to assist or cooperate in bidding to ensure that such proposals fall within Situation (2) or (3) of the Supplemental Agreement to the Existing Non-competition Agreement, we consider the terms of the Supplemental Agreement to the Integrated Services Framework Agreement to be on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned.

5. The revised revenue annual cap and the Estimated Additional Revenue

Set out below are the revised revenue annual cap for the year ending 31 December 2016 under the Integrated Services Framework Agreement (as amended):

Revenue transactions	For the year ending 31 December 2016 (RMB million)
Existing revenue annual cap for the provision of Integrated Services	36
Estimated revenue from the Situations (2) and (3) Continuing Connected Transactions (the “ Estimated Additional Revenue ”)	250
	286
Revised revenue annual cap	286

As stated in the letter from the Board in the Circular, the Estimated Additional Revenue for the year ending 31 December 2016 was determined based on, among other things, the following consideration:

- (i) the number of urban rail transit projects in Beijing and other cities, including Xi'an, which the Company estimates will be upcoming and available for tender in 2016 and pursuant to Situations (2) and (3) of the Supplemental Agreement to the Existing Non-competition Agreement, it is expected that BUCG may be awarded two such projects in 2016;
- (ii) the average contract sum of each project is estimated to be between RMB0.4 billion and RMB0.5 billion;

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- (iii) by reason of unexpected factors, such as unexpected geological conditions, or changes to the work plans as requested by the project owner, there could be variations or adjustments to the awarded contract sum. A 20% to 40% increase in the total sum of an awarded contract has been included in the estimate as a buffer for the estimated annual sum; and
- (iv) depending on the timing when BUCG may obtain the projects, it is estimated that construction work amounting to approximately 25% or equivalent to approximately RMB250 million of the two projects will be completed in the financial year ending 31 December 2016.

As disclosed in the letter of the Board in the Circular, it is stated that the Company will closely monitor the progress of the Situations (2) and (3) Continuing Connected Transactions and will ensure re-compliance with the Hong Kong Listing Rules, including approval by independent shareholders, if applicable, in case the annual cap is likely to be exceeded. If renewal of the annual caps for the three financial years ending 31 December 2019 is not approved by the independent shareholders of the Company at a shareholders' meeting to be convened for the purpose in the second half of 2016, the Company will monitor the implementation of the sub-contracting arrangements and agreements for specialised services and subject to re-convening a shareholders' meeting to re-consider and approve the annual caps, comply with the Hong Kong Listing Rules on a contract by contract or agreement by agreement basis. We consider such proposed arrangement to be a reasonable and adequate adaptation in the event the renewal of the annual caps for the three financial years ending 31 December 2019 is not approved by the independent shareholders of the Company.

Based on the aforesaid determining factors, we have reviewed the Estimated Additional Revenue for the year ending 31 December 2016, by way the following, in order to assess its fairness and reasonableness:

- (i) *the number of urban rail transit projects in Beijing and other cities, including Xi'an, which the Company estimates will be upcoming and available for tender in 2016 and pursuant to Situations (2) and (3) of the Supplemental Agreement to the Existing Non-competition Agreement, it is expected that BUCG may be awarded two such projects in 2016*

The Group obtains new contracts for design and/or construction services either through a competitive tendering process or by directly entering into agreements with its clients on a negotiation basis. Based on the discussion with management of the Group, with the rapid development of the rail transit industry in the PRC in recent years, it is expected that tenders of the rail transit projects will increase in large cities of the PRC. The Company has outlined a number of recent urban rail transit project development prospects in Beijing, Taiyuan, Shenyang, Xi'an, Suzhou, Changzhou, Urumqi, Zhengzhou, Qingdao, Dalian, Hangzhou, Ningbo and Wuhan. Management of the Group expects that certain sections of the subway lines in Beijing and these other cities will be available for tender in 2016. According to management of the Group, the projects may include some sections of Beijing Subway Lines Numbers 17 and 3 and Xi'an Subway Line Number 5,

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which are subway lines with sections already under constructions and new sections are expected to be available for tender in 2016. Where the Company is restricted from bidding by reason of its provision of design or consultancy services at the preparatory stage or for supervisory work, BUCG will be able to assist the Company when such offers for tender come up.

In terms of assessing the estimate of BUCG winning the bids for two projects in 2016, we have obtained from management of the Group six notices of successful bids (中標通知書) in relation to urban rail transit construction projects between 2013 and 2014 granted to BUCG (the “**Notices of Successful Bids**”). As confirmed by the management of the Group, all such projects under the Notices of Successful Bids were part of the urban rail transit construction contracting business, which were transferred by BUCG to the Company during the Reorganisation. Such business became part of the Company’s business segment of construction contracting upon completion of the Reorganisation. As disclosed in the Prospectus, there was a transitional period from the entering into of the relevant agreements in respect of the Reorganisation in December 2012 to January 2014 (when the Group obtained the last qualification for construction contracting business) and as the Group had not obtained all the licences to carry on the urban rail transit construction contracting business, BUCG bid and performed these urban rail transit construction contracting projects on the Group’s behalf.

Given the aforesaid rapid development of the rail transit industry in the PRC in recent times and the successful track record of the BUCG in winning new bids for urban rail transit construction projects during 2013 and 2014, we consider the outline of urban rail transit projects to be a fair representation of target projects available for tender by BUCG in 2016 and that the estimate of BUCG winning the bids for two projects in 2016 is reasonable.

(ii) the average contract sum of such projects is estimated to be between RMB0.4 billion and RMB0.5 billion

We are given to understand that the average contract sum of such projects by section is estimated to be between RMB0.4 billion and RMB0.5 billion and the Company may be able to successfully bid for two such projects in 2016. In assessing the average contract sum, through the same set of Notices of Successful Bids, we note that the initial forecasted contract sums under the Notices of Successful Bids ranged from approximately RMB365.0 million to approximately RMB569.3 million with an average of approximately RMB448.0 million, which is close to the estimate of between RMB0.4 billion and RMB0.5 billion adopted by management of the Group in estimating the Estimated Additional Revenue.

We are given to understand that BUCG, as a general contractor of the relevant urban rail transit construction projects, it can pass the entire contract sum of the relevant projects by way of sub-contracting part or parts of the awarded contract to the Company, within the limits specified by the bidding documents and in compliance with the relevant laws and regulations and on a no profit basis to BUCG (part or parts may have to be sub-contracted to independent third party or parties for technical requirement reason) and the entering into of arrangements for the provision of equipment leasing and management services by the Company to BUCG. Haiwen & Partners, the legal advisers of

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the Company as to the PRC laws, are of the opinion that the above sub-contracting arrangement and provision of equipment leasing and management services by the Company to BUCG do not breach the applicable laws and regulations of the PRC. As such, the estimate used in the projection for the Estimated Additional Revenue is the entire contract sum. Based on the above, we are of the view that the estimated average contract sum of such projects between RMB0.4 billion and RMB0.5 billion is reasonable.

(iii) by reason of unexpected factors, such as unexpected geological conditions, or changes to the work plans as requested by the project owner, there could be variations or adjustments to the awarded contract sum. A 20% to 40% increase in the total sum of an awarded contract has been included in the estimate as a buffer for the estimated annual sum

According to the management of the Group, it is common for urban rail transit construction projects to be affected by unexpected geological conditions, or changes to the work plans as requested by the project owner, all of which are unexpected factors that can increase the costs of the projects which will correspondingly increase the total sum of an awarded contract. We have obtained from the management of the Group the final approved budgets on certain large scale urban rail transit construction projects and note that there were on average a 48.9% increase in the total contract sum of an awarded contract when compared to its initial contract sum estimate.

(iv) depending on the timing when BUCG may obtain the projects, it is estimated that construction work amounting to approximately 25% or equivalent to approximately RMB250 million of the two projects will be completed in the financial year ending 31 December 2016

Based on the discussion with management of the Group, it is the Company's accounting policy for the revenue from an urban rail transit construction project to be recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. For an urban rail transit construction project, the revenue of which is measured by the percentage of completion basis. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the project. In making such estimates, the Company will make judgements to evaluate the possible effects of variances in schedule, the costs of labour, subcontractors and other factors related to the performance of the project. According to the management of the Group, it is typical for an urban rail transit construction project to take around 4 years to complete. We have examined the Notices of Successful Bids and note that the average estimated time to complete a project under the Notices of Successful Bids is approximately 3.4 years. Based on the aforesaid observation and having regard to the possibility of any delays that may be caused by the unexpected factors, such as unexpected geological conditions, or changes to the work plans as requested by the project owner as discussed in paragraph (iii) above, we are of the view that the projected percentage of completion of approximately 25% of the two projects in the year ending 31 December 2016 is reasonable.

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Having considered the bases on which the Estimated Additional Revenue for the year ending 31 December 2016 was determined as described above, we are of the view that the revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement is fair and reasonable as far as the Independent Shareholders are concerned.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view (i) that the amendments to the Existing Non-competition Agreement by entering into of the Supplemental Agreement to the Existing Non-competition Agreement, though not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms; and (ii) the entering into the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the amendments to the Existing Non-competition Agreement by entering into of the Supplemental Agreement to the Existing Non-competition Agreement and the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement and revision of relevant annual cap resulting from the amendments to the Existing Non-competition Agreement.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this 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 this appendix or this circular misleading.

2. DISCLOSURE OF INTERESTS

Substantial Shareholders' Interests in Securities

As at the Latest Practicable Date, to the knowledge of the Company, the following persons had interests or short positions in the Shares and underlying Shares which were required to be recorded in the register of interest kept by the Company under Section 336 of Part XV of the SFO:

Domestic Shares

Name of shareholder	Capacity	Number of Domestic Shares	Nature of interests	Approximate percentage of total issued Domestic Share capital	Approximate percentage of total issued share capital
BUCG ¹	Beneficial owner	571,031,118	Long position	64.54%	44.87%
Beijing Infrastructure Investment Co., Ltd. ²	Beneficial owner	87,850,942	Long position	9.93%	6.90%
Beijing Jingguofa Equity Investment Fund (Limited Partnership) ³	Beneficial owner	46,000,000	Long position	5.20%	3.61%
Tianjin Jun Rui Qi Equity Investment Partnership (LLP) ⁴	Beneficial owner	46,000,000	Long position	5.20%	3.61%

Notes:

1. BUCG, incorporated by the Beijing Municipal Government, is the sole substantial shareholder of the Company (within the meaning of the Hong Kong Listing Rules).
2. Beijing Infrastructure Investment Co., Ltd. is a wholly state-owned enterprise established and funded by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.
3. The general partner of Beijing Jingguofa Equity Investment Fund (Limited Partnership) is Beijing Jingguofa Investment Management Co., Ltd. The 100% equity interest in Beijing Jingguofa Investment Management Co., Ltd. is held by Baoding Taihangheyi Cement Co., Ltd. In addition, Beijing State-owned Capital Operation and Management Center is a limited partner holding 64.99% interest in Beijing Jingguofa Equity Investment Fund (Limited Partnership). Each of the above entities was deemed to have interests in the same number of Shares as Beijing Jingguofa Equity Investment Fund (Limited Partnership).
4. The general partner of Tianjin Jun Rui Qi Equity Investment Partnership (LLP) is Beijing Bodao Investment Advisory Center (Limited Partnership), while the general partner of Beijing Bodao Investment Advisory Center (Limited Partnership) is Beijing Legend Capital Co., Ltd. Beijing Junqijiarui Enterprise Management Co., Ltd. holds 45.00% equity interest in Beijing Legend Capital Co., Ltd. Each of the above entities was deemed to have interests in the same number of Shares as Tianjin Jun Rui Qi Equity Investment Partnership (LLP).

H Shares

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Approximate percentage of total issued H Share capital	Approximate percentage of total issued share capital
Beijing Capital Group Ltd.	Interest of controlled corporations ¹	84,333,000	Long position	21.74%	6.63%
FMR LLC	Interest of controlled corporations ²	29,071,000	Long position	7.49%	2.28%
Beijing Enterprises Group Company Limited	Interest of controlled corporations ³	28,111,000	Long position	7.25%	2.21%
CSR Group	Interest of controlled corporations ⁴	26,222,000	Long position	6.76%	2.06%
Ameriprise Financial, Inc.	Interest of controlled corporations ⁵	19,956,000	Long position	5.14%	1.57%
Rays Capital Partners Limited ⁶	Investment Manager	19,691,000	Long position	5.08%	1.55%

Notes:

1. Beijing Capital Group Ltd. held interests in 56,222,000 H Shares through a number of its controlled corporations, including Beijing Capital Land Ltd. and Capital Queen Limited, and also held interests in 28,111,000 H Shares through its controlled corporations, Beijing Capital Co., Ltd. and Beijing Capital (Hong Kong) Limited.
2. FMR LLC held interests in 22,972,000 H Shares, 322,000 H Shares, 2,874,000 H Shares and 2,903,000 H Shares through a number of its controlled corporations, including FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED, FMR CO., INC, Fidelity Institutional Asset Management Trust Company and FIAM LLC, respectively.
3. Beijing Enterprises Group Company Limited held interests in 28,111,000 H Shares through its controlled corporation, Beijing Enterprises Group (BVI) Company Limited.
4. CSR Group held interests in 26,222,000 H Shares through its controlled corporations, CRRC Corporation Limited and CSR (Hong Kong) Co. Ltd.
5. Ameriprise Financial, Inc. held interests in 17,342,000 H Shares through its controlled corporation, Columbia Management Investment Advisers, LLC, and also held interests in 2,614,000 H Shares through a number of controlled corporations, including Threadneedle Asset Management Limited.
6. Each of Ruan David Ching-chi and Yip Yok Tak Amy held 50% of equity interest in Rays Capital Partners Limited. Each of the above individuals was deemed to have interests in the same number of Shares as Rays Capital Partners Limited.

Directors', Chief Executive's and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, none of the Directors, chief executive and supervisors of the Company held any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and/or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or the Model Code, or required to be recorded in the register as required to be kept under Section 352 of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective associates had any interests in any business that competes or is likely to compete, directly or indirectly, with the business of the Group.

4. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors:

- (a) had any interest in any assets which have been since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group; or

- (b) had any material interest in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' AND SUPERVISORS' POSITIONS IN SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Directors and supervisors held the following positions in the following companies which held interests or short positions in the Shares or underlying Shares of the Company which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of the Director/ supervisor	Position in the specific company
Ms. Wang Liping	Deputy general manager of BUCG
Mr. Chen Daihua	Director and general manager of BUCG
Mr. Tang Shuchang	Head of the capital management department and an assistant to the general manager of BUCG
Mr. Zhang Jie	Deputy general manager, general counsel and the secretary to the board of Beijing Infrastructure Investment Co., Ltd.
Mr. Wang Hao	Chairman of Beijing Capital Group Ltd.
Mr. Yao Guanghong	Director of BUCG

Name of the Director/ supervisor	Position in the specific company
Ms. Nie Kun	Supervisor of BUCG
Mr. Chen Rui	Executive director of Beijing Legend Capital Co., Ltd.

8. LITIGATIONS

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries had received any notice of any litigations or arbitration processes pending or threatened against the Company or any of its subsidiaries.

9. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given advice and recommendations which are contained in this circular:

Name	Qualification
Somerley	A licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name and advice in the form and context in which it appears.

10. EXPERT'S INTERESTS

As at the Latest Practicable Date, Somerley:

- (a) did not have any direct or indirect interest in any assets which have been, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group; and
- (b) did not have any shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for, or to nominate persons to subscribe for securities in any member of the Group.

11. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. Xuan Wenchang and Ms. Kwong Yin Ping Yvonne. Ms. Kwong Yin Ping Yvonne is a member of the Hong Kong Institute of Chartered Secretaries.

- (b) The registered address of the Company is 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC. The principal place of business of the Company in Hong Kong is at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The H Share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Linklaters at 10th Floor, Alexandra House, 18 Chater Road, Hong Kong during normal business hours on any business days from the date of this circular up to and including 24 December 2015:

- (a) the Articles of Association;
- (b) the Existing Non-competition Agreement;
- (c) the Supplemental Agreement to the Existing Non-competition Agreement;
- (d) the Integrated Services Framework Agreement;
- (e) the Supplemental Agreement to the Integrated Services Framework Agreement;
- (f) the letter from the Independent Board Committee set out in this circular;
- (g) the letter from Somerley set out in this circular; and
- (h) the written consent of Somerley referred to in the paragraph headed "Expert's Qualification and Consent" above.



北京城建设计发展集团股份有限公司
BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

Beijing Urban Construction Design & Development Group Co., Limited
北京城建设计发展集团股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1599)

**NOTICE OF
THE FIRST EXTRAORDINARY GENERAL MEETING IN 2016**

NOTICE IS HEREBY GIVEN that the First Extraordinary General Meeting in 2016 (the “EGM”) of Beijing Urban Construction Design & Development Group Co., Limited (the “Company”) will be held at Conference Room 620, Building 2, No. 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 9:30 a.m. on Thursday, 28 January 2016, to consider and, if thought fit, approve the following resolutions (unless otherwise stated, the terms used herein shall have the same meaning as defined in the circular of the Company dated 11 December 2015 (“Circular”)):

ORDINARY RESOLUTIONS

1. To approve, confirm and rectify the Supplemental Agreement to the Existing Non-competition Agreement entered into by the Company and BUCG on 29 October 2015 to amend the Existing Non-competition Agreement;
2. To approve, confirm and rectify the Supplemental Agreement to the Integrated Services Framework Agreement entered into by the Company and BUCG on 9 December 2015 to amend the Integrated Services Framework Agreement;
3. To consider and approve the revision of the annual cap of the revenue transactions under the Integrated Services Framework Agreement as amended by the Supplemental Agreement to the Integrated Services Framework Agreement for the financial year ending 31 December 2016;
4. To consider and approve the appointment of Mr. Guan Jifa as a non-executive Director of the Company;
5. To consider and approve the appointment of Ms. Guo Yanhong as a non-executive Director of the Company; and

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2016

6. To consider and approve the appointment of Mr. Fu Yanbing as a supervisor of the Company.

By order of the Board
Beijing Urban Construction Design & Development Group Co., Limited
Wang Liping
Chairman

Beijing, 11 December 2015

As at the date of this notice, the executive Directors of the Company are Wang Hanjun and Li Guoqing; the non-executive Directors of the Company are Wang Liping, Chen Daihua, Wang Hao, Zhang Jie, Su Bin, Kong Lingbin and Tang Shuchang; and the independent non-executive Directors of the Company are Zhang Fengchao, Wang Dexing, Yim Fung, Sun Maozhu and Liang Qinghuai.

Notes:

1. Details of the above resolutions are set out in the Circular. For the details of resolution 1, please refer to the section headed "II. Amendments to the Existing Non-competition Agreement" of the letter from the Board in the Circular. For the details of resolutions 2 and 3, please refer to the section headed "III. Entering into of the Supplemental Agreement to the Integrated Services Framework Agreement and Revision of Relevant Annual Cap resulting from Amendments to the Existing Non-competition Agreement" of the letter from the Board in the Circular. For the details of resolutions 4 and 5, please refer to the section headed "IV. Proposed Appointments of Non-executive Directors" of the letter from the Board in the Circular. For the details of resolution 6, please refer to the section headed "V. Proposed Appointment of A Supervisor" of the letter from the Board in the Circular.
2. The register of members of the Company will be closed from Tuesday, 29 December 2015 to Thursday, 28 January 2016, both days inclusive, during which period no transfer of Shares will be registered. Holders of H Shares and Domestic Shares whose names appeared on the register of members of the Company as at Thursday, 28 January 2016 shall be entitled to attend and vote at the EGM. Holders of H Shares of the Company who intend to attend and vote at the EGM must lodge all transfer documents accompanied by the relevant H Share certificates with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 28 December 2015 for registration.
3. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in his stead. A proxy need not be a Shareholder of the Company but must attend the EGM in person to represent the relevant Shareholder.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a corporation, the instrument must be executed either under its common seal or under the hand of its director(s) or duly authorised attorney. If the instrument is signed by an attorney of the Shareholder, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarised.
5. In order to be valid, the proxy form together with the notarised power of attorney or other documents of authorisation (if any) must be deposited at the Secretariat of the Board of Directors of the Company at No. 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC for holders of Domestic Shares and at the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares not less than 24 hours before the time stipulated for convening the EGM (or any adjournment thereof) (as the case may be). Completion and return of a proxy form will not preclude a Shareholder from attending and voting in person at the EGM (or any adjournment thereof). If no direction is given, the proxy will be entitled to vote or abstain as he or she thinks fit.

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2016

6. Holders of Domestic Shares who intend to attend the EGM in person or by proxy should complete and deposit the reply slip for attending the meeting at the Secretariat of the Board of Directors of the Company on or before Thursday, 7 January 2016 in hand, by post or by fax. Holders of H Shares who intend to attend the EGM in person or by proxy should complete and deposit the reply slip for attending the meeting at Computershare Hong Kong Investor Services Limited on or before Thursday, 7 January 2016 in hand, by post or by fax.
7. The EGM is estimated to last for about half a day. Shareholders or their proxies who attend the EGM (or any adjournment thereof) shall bear their own travelling and accommodation expenses. Shareholders or their proxies shall produce their identity documents when attending the EGM (or any adjournment thereof).