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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 AGM 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)**

- (1) FINANCIAL REPORT FOR 2016;**
  - (2) AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR OF 2016 AND ITS SUMMARY;**
  - (3) 2016 PROFIT DISTRIBUTION PLAN AND DIVIDEND DECLARATION  
PROPOSAL;**
  - (4) RE-APPOINTMENT OF AUDITORS FOR 2017 AND PAYMENT OF THE  
AUDITING SERVICE FEE FOR 2016;**
  - (5) 2017 INVESTMENT PLAN;**
  - (6) REPORT OF THE BOARD OF DIRECTORS FOR 2016;**
  - (7) REPORT OF THE BOARD OF SUPERVISORS FOR 2016;**
  - (8) GENERAL MANDATE FOR PROPOSED ISSUANCE OF H SHARES;**
- AND**
- NOTICE OF THE 2016 ANNUAL GENERAL MEETING**
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The Company will convene the AGM at Conference Room 501, 5F, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 9:30 a.m. on Monday, 5 June 2017. The notice of the AGM is set out on pages 28 to 31 of this circular.

If you intend to appoint a proxy to attend the AGM, 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 AGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjourned meeting thereof if you so wish.

If you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip on or before Monday, 15 May 2017.

19 April 2017

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## DEFINITIONS

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

“Annual General Meeting” or “AGM”	the 2016 annual general meeting of the Company to be held at Conference Room 501, 5F, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 9:30 a.m. on Monday, 5 June 2017
“Articles of Association”	the Articles of Association of the Company, as amended, modified or supplemented from time to time
“Board” or “Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限公司), 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 the same may be amended, supplemented and otherwise modified from time to time
“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 are unlisted shares which are currently not listed or traded on any stock exchange
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“H Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for in Hong Kong dollars and 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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China, for the purpose of this circular, shall exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of the Shares of the Company
“Shares”	H Share(s) and Domestic Share(s) of the Company
“Supervisor(s)”	supervisor(s) of the Company
“Year”	the year ended 31 December 2016

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## LETTER FROM THE BOARD

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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

Guo Yanhong

Guan Jifa

Su Bin

Yan Lianyuan

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

19 April 2017

*To the Shareholders:*

Dear Sir or Madam,

- (1) FINANCIAL REPORT FOR 2016;  
(2) AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR OF 2016 AND ITS SUMMARY;  
(3) 2016 PROFIT DISTRIBUTION PLAN AND DIVIDEND DECLARATION  
PROPOSAL;  
(4) RE-APPOINTMENT OF AUDITORS FOR 2017 AND PAYMENT OF THE  
AUDITING SERVICE FEE FOR 2016;  
(5) 2017 INVESTMENT PLAN;  
(6) REPORT OF THE BOARD OF DIRECTORS FOR 2016;  
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(8) GENERAL MANDATE FOR PROPOSED ISSUANCE OF H SHARES;  
AND  
NOTICE OF THE 2016 ANNUAL GENERAL MEETING**

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## LETTER FROM THE BOARD

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### **I. INTRODUCTION**

On behalf of the Board of Directors, I would like to invite you to attend the AGM to be held at Conference Room 501, 5F, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 9:30 a.m. on Monday, 5 June 2017.

The purpose of this circular is to provide you with the notice of the AGM and the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed for consideration at the AGM.

### **II. BUSINESS TO BE TRANSACTED AT THE AGM**

The business to be transacted at the AGM is specified in the notice of the AGM set out on pages 28 to 31 of this circular. The resolutions to be proposed by way of ordinary resolutions at the AGM include: (1) Financial Report for 2016; (2) Audited Consolidated Financial Statements for the Year of 2016 and Its Summary; (3) 2016 Profit Distribution Plan and Dividend Declaration Proposal; (4) Re-appointment of Auditors for 2017 and Payment of the Auditing Service Fee for 2016; (5) 2017 Investment Plan; (6) Report of the Board of Directors for 2016; and (7) Report of the Board of Supervisors for 2016; and the resolution to be proposed by way of special resolution at the AGM is: (8) Proposal on Granting the Board a General Mandate to Issue Additional H Shares.

In order to enable you to have a better understanding of the resolutions to be proposed at the AGM and to make decisions upon obtaining sufficient and necessary information, we have provided detailed information in relation to the resolutions to be proposed at the AGM in Appendix I to this circular to the Shareholders.

### **III. AGM**

The Company will convene the AGM at Conference Room 501, 5F, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 9:30 a.m. on Monday, 5 June 2017. The notice of the AGM is set out on pages 28 to 31 of this circular. A proxy form and a reply slip for the AGM are also enclosed herewith.

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## LETTER FROM THE BOARD

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If you intend to appoint a proxy to attend the AGM, 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 AGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjourned meeting thereof if you so wish.

If you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip on or before Monday, 15 May 2017.

#### **IV. VOTES BY WAY OF POLL**

According to the Hong Kong Listing Rules and the Articles of Association, any vote of shareholders at a general meeting must be taken by poll. Results of the poll voting will be posted on the website of the Company at [www.bjucd.com](http://www.bjucd.com) and the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) upon the conclusion of the AGM.

#### **V. RECOMMENDATION**

The Board considers that all resolutions to be proposed at the AGM are in the interests of the Company and its Shareholders as a whole, and accordingly recommends you to vote in favour of all the aforesaid proposed resolutions.

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

**1.        FINANCIAL REPORT FOR 2016**

On 27 March 2017, the Financial Report for 2016 of the Company (see Annex A to this circular for details) was considered and passed at the meeting of the Board, and is hereby proposed to the AGM for consideration and approval by way of ordinary resolution.

**2.        AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR OF 2016 AND ITS SUMMARY**

The audited consolidated financial statements and its summary for the year ended 31 December 2016 of the Company are set out in the 2016 Annual Report of the Company. The 2016 Annual Report together with this circular will be dispatched to the Shareholders. On 27 March 2017, the resolution relating to the audited consolidated financial statements and its summary for the year ended 31 December 2016 was considered and passed at the meeting of the Board, and is hereby proposed to the AGM for consideration and approval by way of ordinary resolution.

**3.        2016 PROFIT DISTRIBUTION PLAN AND DIVIDEND DECLARATION PROPOSAL**

According to the International Financial Reporting Standards, the net profit attributable to the Shareholders of the Company for 2016 was RMB471,949,573.09. After the appropriations to the statutory surplus reserve according to the requirement of relevant law, the proposed profit distribution plan of the Company for 2016 is to distribute a cash dividend of RMB0.0996 (tax inclusive) per Share on the base of the total Share capital of the Company as at 31 December 2016 of 1,272,670,000 Shares, totaling approximately RMB126,757,932.00 and representing approximately 30% of distributable profits in 2016.

On 27 March 2017, the resolution was considered and passed at the meeting of the Board, which is hereby proposed to the AGM for consideration and approval by way of ordinary resolution.

**4.     RE-APPOINTMENT OF AUDITORS FOR 2017 AND PAYMENT OF THE AUDITING SERVICE FEE FOR 2016**

The aggregating expenses relating to the auditing services and other related services conducted and provided by Ernst & Young engaged by the Company in 2016 were RMB3.15 million, which included the payments of RMB2.4 million and RMB0.75 million respectively incurred in auditing the annual financial statements of 2016 and reviewing the interim financial statements of 2016.

The Board has proposed to re-appoint Ernst & Young as the external auditors of the Company for 2017 to audit the annual financial statements of 2017 prepared by the Company in accordance with International Accounting Standards, and to review the interim financial statements for the six months ending 30 June 2017 in compliance with International Accounting Standards.

On 27 March 2017, the resolution was considered and passed at the meeting of the Board, which is hereby proposed to the AGM for consideration and approval by way of ordinary resolution.

**5.     2017 INVESTMENT PLAN**

The Company plans to complete investment of RMB9.041 billion for the year 2017 and has drafted the 2017 Investment Plan (see Annex B to this circular for details). On 27 March 2017, the resolution was considered and passed at the meeting of the Board, which is hereby proposed to the AGM for consideration and approval by way of ordinary resolution.

**6.     REPORT OF THE BOARD OF DIRECTORS FOR 2016**

The Board has prepared the Report of the Board of Directors for 2016 (see Annex C to this circular for details) as required by the Company Law and the Articles of Association. On 27 March 2017, the resolution was considered and passed at the meeting of the Board, which is hereby proposed to the AGM for consideration and approval by way of ordinary resolution.

**7.     REPORT OF THE BOARD OF SUPERVISORS FOR 2016**

The Board of Supervisors has prepared the Report of the Board of Supervisors for 2016 (see Annex D to this circular for details) as required by the Company Law and the Articles of Association. On 27 March 2017, the resolution was considered and passed at the meeting of the Board of Supervisors, which is hereby proposed to the AGM for consideration and approval by way of ordinary resolution.

## 8. PROPOSAL ON GRANTING THE BOARD A GENERAL MANDATE TO ISSUE ADDITIONAL H SHARES

In order to meet the development needs of the Company after listing of the Company, it is proposed to the AGM by way of special resolution for consideration and approval of the granting of a general mandate to the Board (or Director(s) authorised by the Board) to issue no more than 20% additional H Shares during the Relevant Period (as defined below). Details of the general mandate are set out as follows:

- (1) Subject to the following conditions, an unconditional and general mandate is granted to the Board (or Director(s) authorised by the Board) to issue, allot and deal with additional shares in the Company's share capital, being H Shares and to make or grant offers, agreements, or options in relation to such shares:
  - (a) Except that the Board may make or grant offers, agreements, or options during the Relevant Period and such offers, agreements, or options might require further action or exercise after the end of the Relevant Period, the period of such mandate shall not exceed the Relevant Period;
  - (b) The aggregate nominal value of H Shares allotted or conditionally or unconditionally agreed to be allotted (whether allotted pursuant to the options or otherwise) under the approval of the Board shall not exceed 20% of the aggregate nominal value of H Shares of the Company in issue on the date of passing the relevant resolution at the general meeting; and
  - (c) The Board (or Director(s) authorised by the Board) will exercise the rights under the above mandate only under the circumstances where it is in compliance with the Company Law and the Hong Kong Listing Rules (both as amended from time to time) and obtains the approval from the China Securities Regulatory Commission and/or other related Chinese government authorities.
- (2) For the purpose of this proposal:

**“Relevant Period”** means the period from the date of the passing of this proposal until whichever is the earliest of the followings:

  - (a) the conclusion of the next annual general meeting of the Company;
  - (b) the expiration of 12-month period after the passing of this proposal; or
  - (c) the date on which the mandate granted under this proposal is revoked or varied by a special resolution at a general meeting.

- (3) To authorise the Board (or Director(s) authorised by the Board) to formulate and implement detailed issue proposals which includes, without limitation, the pricing mechanism and/or the issue price (including a price range), the number of shares to be issued, the target subscribers and the use of proceeds; to determine the issue timing and issue period, and to decide whether to place to existing shareholders or not when exercising the above-mentioned general mandate.
- (4) To authorise the Board (or Director(s) authorised by the Board) to engage intermediaries in connection with the issue and to approve and execute all actions, deeds, documents and such other matters that are necessary, appropriate, expedient or relevant to the issue; to consider, approve and execute agreements relating to the issue on behalf of the Company, including but not limited to placing and underwriting agreements, engagement agreements with intermediaries.
- (5) To authorise the Board (or Director(s) authorised by the Board) to consider, approve and execute, on behalf of the Company, the applications and documents relating to the issue to be submitted to relevant regulatory authorities; to fulfill relevant approval procedures in accordance with the requirements of regulatory authorities and requirements at the places where the Company is listed, and to handle all necessary archiving, registration and filing procedures at related government authorities in China, Hong Kong and/or any other districts and jurisdictions (if applicable).
- (6) To authorise the Board (or Director(s) authorised by the Board) to make amendments to the relevant agreements and legal documents mentioned in (4) and (5) above in accordance with the requirements of domestic and foreign regulatory authorities.
- (7) To authorise the Board (or Director(s) authorised by the Board) to approve the Company to increase its registered capital correspondingly after the issue pursuant to the H Shares in issue and to make relevant amendments as it thinks fit to the Articles of Association of the Company to reflect corresponding changes in the Company's registered capital, total capital and shareholding structure.

In 2016, the Group further promoted its business development, thereby further consolidating and raising its market position and capital strength, leading to a significant growth trend in operating results and a remarkable enhancement in its comprehensive strengths.

As at 31 December 2016, the total assets of the Group amounted to RMB11,003 million, representing an increase of RMB3,263 million or 42.16% compared to the total assets of RMB7,740 million as at the end of last year. The Group's net assets amounted to RMB3,517 million, representing an increase of RMB503 million or 16.69% compared to the net assets of RMB3,014 million as at the end of last year.

For the year ended 31 December 2016, the Group's revenue amounted to RMB5,090 million, representing an increase of RMB1,081 million or 26.96% compared to the revenue of RMB4,009 million of the corresponding period of last year. The Group's net profit amounted to RMB479 million, representing an increase of RMB81 million or 20.35% compared to the net profit of RMB398 million of the corresponding period of last year.

For the year ended 31 December 2016, the net cash flows used in operating activities of the Group amounted to RMB1,144 million. The net cash flows from investing activities of the Group amounted to RMB109 million. The net cash flows from financing activities of the Group amounted to RMB1,442 million.

## BALANCE SHEET

Unit: RMB'000

	31 December 2016	31 December 2015	% of change
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	356,005	317,756	12
Prepaid land lease payments	31,936	32,646	(2)
Intangible assets	8,158	8,109	1
Investments in joint ventures	40,105	1,081	3,610
Investments in associates	15,037	12,771	18
Financial assets	2,223,132	585,566	280
Available-for-sale investments	18,650	8,650	116
Deferred tax assets	81,320	75,198	8
Trade receivables	14,405	72,714	(80)
Prepayments, deposits and other receivables	505,308	482,540	5
<b>Total non-current assets</b>	<b>3,294,056</b>	<b>1,597,031</b>	<b>106</b>
<b>CURRENT ASSETS</b>			
Prepaid land lease payments	710	710	–
Inventories	67,075	49,099	37
Available-for-sale financial assets	–	110,000	(100)
Financial receivables	9,985	–	N/A
Trade and bills receivables	1,850,625	1,513,015	22
Prepayments, deposits and other receivables	767,326	240,914	219
Amounts due from contract customers	2,392,085	1,950,383	23
Pledged deposits	55,404	50,333	10
Cash and cash equivalents	2,565,852	2,228,119	15
<b>Total current assets</b>	<b>7,709,062</b>	<b>6,142,573</b>	<b>26</b>
<b>Total assets</b>	<b>11,003,118</b>	<b>7,739,604</b>	<b>42</b>

	31 December 2016	31 December 2015	% of change
<b>CURRENT LIABILITIES</b>			
Trade payables	2,004,916	1,561,319	28
Amounts due to contract customers	1,651,245	1,254,628	32
Other payables, advances from customers and accruals	1,813,869	1,347,819	35
The portion of long-term borrowings due within one year	80,000	–	N/A
Supplementary retirement benefits and early retirement fees	3,160	3,160	–
Tax payable	60,816	60,628	–
<b>Total current liabilities</b>	<b>5,614,006</b>	<b>4,227,554</b>	<b>33</b>
<b>NET CURRENT ASSETS</b>	<b>2,095,056</b>	<b>1,915,019</b>	<b>9</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>5,389,112</b>	<b>3,512,050</b>	<b>53</b>
<b>Total non-current liabilities</b>	<b>1,871,640</b>	<b>498,312</b>	<b>276</b>
<b>Total net assets</b>	<b>3,517,472</b>	<b>3,013,738</b>	<b>17</b>
Equity attributable to owners of the parent			
Paid-up capital	1,272,670	1,272,670	–
Reserves	2,021,498	1,652,754	22
Non-controlling interests	223,304	88,314	153
<b>Total equity</b>	<b>3,517,472</b>	<b>3,013,738</b>	<b>17</b>

**INCOME STATEMENT**  
**For the year ended 31 December 2016**

*Unit: RMB'000*

	2016	2015	% of change
Revenue	5,090,073	4,008,513	27
Cost of sales	(3,987,039)	(3,174,537)	26
<b>Gross profit</b>	<b>1,103,034</b>	<b>833,976</b>	<b>32</b>
Other income and gains	171,694	78,993	117
Selling and distribution expenses	(73,633)	(57,250)	29
Administrative expenses	(529,830)	(354,558)	49
Other expenses	(47,061)	(35,575)	32
Financial cost	(59,033)	(4,983)	1,085
Share of profits and losses of:			
Joint ventures	(976)	(522)	87
Associates	2,771	1,842	50
<b>PROFIT BEFORE TAX</b>	<b>566,966</b>	<b>461,923</b>	<b>23</b>
Income tax expense	(88,284)	(64,215)	37
<b>PROFIT FOR THE YEAR</b>	<b>478,682</b>	<b>397,708</b>	<b>20</b>
Profit attributable to:			
Owners of the parent	471,950	397,629	19
Non-controlling interests	6,732	79	8,422
Other comprehensive income	3,316	21,636	(85)
Total comprehensive income for the year, net of tax	481,998	419,344	15
Total comprehensive income attributable to:			
Owners of the parent	475,266	419,265	13
Non-controlling interests	6,732	79	8,422

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

Unit: RMB'000

	2016	2015	% of change
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax	566,966	461,923	23
Adjustments for:			
Finance costs	59,033	4,983	1,085
Foreign exchange gains and losses	(15,183)	(29,866)	(49)
Interest income	(143,571)	(27,084)	430
Share of profits of associates and joint ventures	(1,795)	(1,320)	36
Dividend income from available-for-sale investments	(6,961)	(18,019)	(61)
Depreciation of items of property, plant and equipment	44,984	34,174	32
Amortisation of intangible assets	2,578	2,781	(7)
Amortisation of prepaid land lease payments	710	710	–
Impairment of trade receivables	40,725	25,324	61
Impairment/(reversal of impairment) of deposits and other receivables	2,307	(116)	(2,089)
Provision for foreseeable losses on contracts	3,823	10,227	(63)
Loss on disposal of items of property, plant and equipment, net	205	141	45
Increase in inventories	(17,976)	(19,821)	(9)
Change in amounts due from/(to) contract customers	(48,909)	(224,628)	(78)
(Increase)/decrease in trade and bills receivables	(320,027)	161,090	(299)
Increase in prepayments, deposits and other receivables	(445,080)	(561,335)	(21)
Increase in financial receivables	(1,647,551)	(585,566)	181
Increase in trade payables	443,597	122,836	261
Increase/(decrease) in other payables, advances from customers and accruals	410,469	(58,733)	(799)
Increase/(decrease) in provisions for supplementary retirement benefits	2,140	(70)	(3,157)
<b>Cash flows (used in)/from operations</b>	<b>(1,069,516)</b>	<b>(702,369)</b>	<b>52</b>
Interest received	18,798	27,077	(31)
Income tax paid	(93,141)	(189,915)	(51)
<b>Net cash flows (used in)/from operating activities</b>	<b>(1,143,859)</b>	<b>(865,207)</b>	<b>32</b>

	2016	2015	% of change
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for acquisition of items of property, plant and equipment	(36,668)	(44,357)	(17)
Payments for acquisition of intangible assets	(2,627)	(1,177)	123
Purchase of available-for-sale investments	(2,350,000)	(3,775,000)	(38)
Addition of subsidiaries	(40,000)	(900)	4,344
Proceeds from disposal of items of property, plant and equipment	921	279	230
Proceeds from disposal of available-for-sale investments	2,456,961	4,588,019	(46)
Dividends received from associates and joint ventures	505	385	31
Decrease in non-pledged time deposits with original maturity of more than three months	84,778	390,344	(78)
Increase in pledged deposits	(5,071)	(25,348)	(80)
<b>Net cash flows from/(used in) investing activities</b>	<b>108,799</b>	<b>1,132,245</b>	<b>(90)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital reduction from non-controlling shareholders	–	(3,000)	(100)
Interest paid	(47,693)	(4,405)	983
Dividends paid to shareholders	(106,522)	(93,796)	14
Dividends paid to non-controlling shareholders	(440)	(184)	139
Capital contribution from non-controlling interests	128,698	68,500	88
Borrowings from interest-bearing banks and others	1,468,400	410,000	258
<b>Net cash flows from financing activities</b>	<b>1,442,443</b>	<b>377,115</b>	<b>282</b>
Net increase in cash and cash equivalents	407,383	644,153	(37)
Cash and cash equivalents at beginning of year	2,143,141	1,469,365	46
Effect of exchange rate changes on cash and cash equivalents	15,128	29,623	(49)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>2,565,652</b>	<b>2,143,141</b>	<b>20</b>

**I. GENERAL DESCRIPTION OF 2017 INVESTMENT**

According to the Company's strategic plan, the Company would continue with its capital operations and improve its capital operation and resource integration capabilities after its listing. In addition, with rail transit design as the leading business, the Company will develop the general construction contracting and diversified investment construction businesses by gradually developing EPC, PPP, TOD, etc. Based on the core strengths of the Company, and by integrating techniques in which the Company has an advantageous edge, the Company would commence industrialisation operations with a view to developing new profit growing points for the Company. Founded on the development of the Company's rail transit industrial business, the Company would extend its industrial business to high-value-added business and expand its business to the development of subway superstructure.

In 2017, the Company plans to complete an investment of RMB9,041 million, among which, RMB406 million is proposed to be invested in operational fixed assets; RMB2,471 million is proposed to be invested in equity; RMB6,164 million is proposed to be invested in construction projects such as PPP, BOT in, among others, Beijing, Kunming, the central region of Yunnan and Zunyi. The details are as follows:

**(I) Investment In Operational Fixed Assets (RMB406 Million)**

1. Investment of RMB2 million is proposed for purchase vehicle and other transportation equipment of the Company.
2. It is proposed to invest approximately RMB388 million, of which RMB188 million is proposed for infrastructure project of the Company's office building for improving the office condition and promoting the corporate image and management efficiency, including structural consolidation, renovation of facades, equipment replacement of the existing office building as well as alteration and expansion inside the institute, with the remaining RMB200 million used as land premium.
3. Investment of RMB16.98 million is proposed for purchase of office equipment of the Company.

	<b>Expected investment in 2017 (RMB million)</b>
<b>Investment in operational fixed assets</b>	
Vehicle and other transportation equipment	2
Land premium and infrastructure	388
Office equipment	16.98
<b>Total</b>	<b>406</b>

**(II) Investment In Equity (RMB2,471 Million)**

Investment of RMB2,471 million is proposed for the joint establishment of PPP project company by the Company in 2017 – Kunming Rail Transit Line 4 Operation and Management Co., Ltd. (昆明軌道交通4號線運營管理有限公司).

**(III) Investment In Financial Related Area**

The Company does not propose for such investment in 2017.

**(IV) Project Investment (RMB6,164 Million)**

First of all, the Company will make full use of its advantages in the rail transit market by proactively expanding its investment in integrated engineering projects. Secondly, the Company will adopt structural leveraged funds in order to satisfy the capital needs for PPP projects with high investment amount in order to obtain gains from equity investment. The details are as follows:

**Investment in projects at hand and under proposition**

No.	Project category	Investment projects	Project mode	Total	Completed	Expected
				investment	investment in	investment in
				(RMB)	2016	2017
					(RMB)	(RMB)
1		Guizhou Zunyi Xipu New District Fengxin Expressway project (extension project)	PPP	1,800 million	918 million	882 million
2	at hand	PPP project of Airport Avenue Mid-section in New District of Central Yunnan	PPP	1,710 million	691 million	1,036 million
<b>Total</b>					<b>1,609 million</b>	<b>1,918 million</b>

No.	Project category	Investment projects	Project mode	Total investment (RMB)	Completed investment in	Expected investment in
					2016 (RMB)	2017 (RMB)
3		Shunyi Trolley Bus Project	PPP+EPC	4,300 million	Nil	526 million
4		Fengtai District Hexi T1, T2 Trolley Bus Project	PPP+EPC	3,500 million	Nil	428 million
5	Projects under proposition	Tongzhou Core District Modern Trolley Bus Project	PPP+EPC	1,600 million	Nil	196 million
6		Beijing Apple Orchard Transportation Hub Project	TOD	1,700 million	Nil	680 million
7		Kunming Rail Transit Line 4 PPP Project	PPP	8,800 million	Nil	2,416 million
<b>Total</b>					<b>Nil</b>	<b>4,246 million</b>

*Notes:*

1. Capital of Shunyi District Trolley Bus Project, Fengtai District T1, T2 Trolley Bus Project, Tongzhou Core District Modern Trolley Bus Project accounted for 30% of total investment. The above three projects are proposed to be open for bidding in the first half of 2017.
2. Capital of Guizhou Zunyi Xipu New District Fengxin Expressway project (extension project) and PPP project of Airport Avenue Mid-section in New District of Central Yunnan (extension project) accounted for 20% of total investment. Investment in the above two projects are expected to be totally completed in 2017.
3. Investment of Kunming Rail Transit Line 4 PPP Project accounted for 40% of total investment. Contribution in Beijing Apple Orchard Transportation Hub TOD Project, which adopts bidding by way of consortium, is determined upon the shareholding of each party, being 40% of total investment.

**II. MEASURES AND STRATEGY WITH RESPECT TO INVESTMENT MANAGEMENT**

Continuing to leverage on its strengths in investment, the Company will focus on the thriving rail transit construction as part of infrastructure construction, by developing rail transit business in a sophisticated manner and expanding supporting industries and markets centring thereon. It will pay special attention to the three major fields, namely subway, trolley bus and urban integrated tunnel, and emphatically facilitate projects in Guizhou and Yunnan as well as bids in Shunyi, Fengtai and Tongzhou.

The Company will speed up the landing of new investment and financing projects. It will keep forging ahead in the field of PPP business based on PPP projects captured in 2016 including Fengxin Expressway in Xindu New District, Zunyi, Airport Avenue and Kunming Rail Transit Line 4 in Yunnan, and strive for better results in 2017 by undertaking PPP projects in Beijing, Guizhou and Kunming and expedite the completion thereof.

Meanwhile, the Company will foster its managerial competence via the investment and financing business platform and during the implementation of Kunming Rail Transit Line 4 project. Projects of rail transit operation and transformation will be planned and synergy across the full industry chain will be promoted, so as to firmly support the expansion of PPP business and the collaborative development among industries.

**III. FORMULATION AND PERFORMANCE OF THE INVESTMENT MANAGEMENT SYSTEM OF THE GROUP**

The investment approval process and the management system of the Company was fairly performed in 2016, and the Company will do more in following aspects in 2017: first, to further improve project investment and financing management rules and establish sound schemes and processes for investment selection and assessment; second, to improve investment management measures of the Company.

In 2016, the Board of Directors of the Company strictly observed the laws and regulations such as the Company Law, the Securities Law of the People's Republic of China, and the relevant provisions of the Articles of Association, implemented the Rules of Procedure for the Board of Directors to diligently perform its duties delegated by the general meeting, and actively promoted various business development of the Company by operating in compliance with regulations and by scientific decision making. Facing the changing policy environment and the complicated market condition, the Company leveraged the edges in the rail transit sector, led its business market and seized opportunities to expand into new business under an innovative model, and achieved outstanding results through synergy development of the whole industry chain and linkage of all segments. Based on the "13th Five-Year" development plan of the Company, the Company orderly implemented its various work with an overall favourable development trend.

## **I. OPERATION OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD**

During the reporting period, with favorable condition for rapid development of urban rail transit in China, the Company continued to expand the design, survey and consultancy businesses, and took up new projects under innovative models, resulting in a rapid increase in business revenue with good performance results in general. For the year ended 31 December 2016, the Company's bidding amount in 2016 was approximately RMB27 billion and the contract amount of contracts newly entered into exceeded RMB13 billion; the revenue of the Company amounted to RMB5,090 million, representing an increase of RMB1,081 million or 27.0% compared with the corresponding period of last year, among which revenue from the design, survey and consultancy businesses was RMB2,219 million, accounting for 43.6%, and revenue from the construction contracting business was RMB2,871 million, accounting for 56.4%. The net profit amounted to RMB479 million, representing an increase of RMB81 million or 20.4% compared with the corresponding period of last year. All major operational indicators repeatedly reached new heights and the rail transit industry chain took effect, with rapid enhancement of its comprehensive strength. The Company entered a new stage of development.

First, the Company made progress at different stages of PPP business segment. The PPP engineering demonstration project of the Ministry of Finance of PRC undertaken by the Company has created a precedent for the operation of domestic PPP project of the same type. The first public welfare municipal road PPP project in China – Anqing Outer Ring North Road has completed and opened for operation 8 months ahead of schedule, bringing dual-drive by social and economic benefits to the Company. Subsequently, the Company successfully won the bids of several municipal road PPP projects, including Zunyi-Fengxin Expressway PPP project and PPP project of Airport Avenue Mid-Section (Wenling Road to North Airport Highway), with bidding amount nearly RMB6,000 million. Meanwhile, the Company has also achieved historical breakthrough in PPP project within rail transit segment, successfully winning the bid of Kunming Rail Transit Line 4 PPP project with bidding amount of RMB8,800 million, which is the first rail transit PPP project combining investment, construction and operation won by the Company.

Second, the rail transit business achieved explosive growth. During 2016, the Company won a total of 17 general contracting projects of survey and design, reaching a record high. During the year, the bidding amount of single unit broke and refreshed the historical record for four times, among which, the highest bidding amount of single unit, i.e. the bidding amount for Yantai Line 1, amounted to RMB580 million. The total bidding amount for the first ten months of the year was two times of the total bidding amount of last year and the Company established markets of rail transit in Urumqi, Yantai, Shaoxing and other emerging cities, which further strengthened the Company's leading position in China's urban rail transit market. The construction contracting segment also had a bumper harvest, winning the bids of 8 projects, of which the Company was awarded the projects of section 1 of Urumqi Subway Line 2, section 19 of Beijing Subway Line 17, section 6 of Beijing Yanfang Subway Line, section 2 of underground utility tunnel of Beijing Subway Line 7 east extension, section 7 of Beijing Subway Line 12, section 10 of Suzhou Subway Line 5, Zhangxin Grain Reserve Phase 2 and Beijing 601 project. The Company newly obtained the projects of modern tram in Qinghai Delingha, new roads and utility tunnel EPC in Huangshan.

Third, the Company has achieved breakthrough in TOD business with capital strength. The civil construction and integrated segments have overcome difficulties and developed. The Company has obtained several projects of amount of tens of millions of RMB including the elevated section design of section 7 of Beijing Pinggu Line, Beijing sewage treatment and Guogongzhuang central bus station and other projects, won the bids of utility tunnel projects in Beijing Wangfujing and Dongba region and the projects in Zhengzhou, Qingdao and other places also achieved a new breakthrough. The Company established a joint venture named Beijing Shengtong Real Estate Co., Ltd (北京晟通置業發展有限公司) with Beijing Gonglian Transportation Junction Construction Management Co., Ltd and the investment platform company of Shijingshan Government, and opened up a new chapter in the Company's TOD integrated development business with taking the opportunity of the first primary development of the Apple Orchard Transportation Hub Project.

Fourth, the Company has put great efforts on the layout of technological industrialization, resulting in three product systems of the rail product, intelligent control and trolley bus. Among which, the rail transit product has been applied in Wuhan Donghu, Hainan Sanya, Shenzhen Longhua and other places; the subway automation system and visual grounding system have been applied in Chengdu, Vietnam and other places; the electronic monitoring and dynamic load weighing system have been applied in the whole section of Anqing Outer Ring North Road; the energy-storage type trolley charging pile project in Ningbo has been obtained. The industrialization segment has created a new economic growth point for the Company. The projects of ELV maintenance of tram in Qingdao Chengyang, trolley EPC charging pile in Ningbo, electronic monitoring and dynamic load weighing system for Anqing Outer Ring North Road, and other projects in Wuhan, Shenzhen Longhua and Hainan Sanya have been successfully completed, achieving an overall profit margin up to 23%.

Fifth, informatization drives enhancement of both management and production. The Company has accelerated the informatization construction and built an ERP system for financial and project management to achieve the connection with the ERP system for human resources, realizing overall informatization for major functions and enhancing the Company's management efficiency. Meanwhile, BIM and synergic design were promoted in production to lead innovation in terms of design and production and improve the level and quality of design.

Sixth, the Company gained a world-class award, enjoying great industry influence. The Beijing Metro Line 10, which the Company acted as the general contractor for design, won the outstanding project award of FIDIC. This was the first time for the Company's design and consulting project to win the world-class award, and also the first time for the infrastructure project in Beijing to obtain the FIDIC award, it has therefore gained widespread concern from the domestic mainstream media. In addition, the Company also won a number of domestic science and technology awards in the field of urban rail transit and the Best Investment Value Award (最具投資價值獎) in the 2016 China Financial Market Awards for Listed Companies (2016中國融資上市公司大獎). At the same time, the Company obtained 22 patents, 4 software copyrights, 2 ZhanTianyou Awards, 13 awards for design, 7 awards for consulting, 4 awards for construction, 8 technical progress awards and 9 quality management awards.

## **II. DAILY WORK OF THE BOARD**

### **(I) Meetings of the Board and Resolutions**

In 2016, the Board held six Board meetings in total, at which 34 proposals were considered and corresponding resolutions were passed. Details are as follows:

1. On 24 March 2016, the Company held the nineteenth meeting of the first session of the Board, at which twenty proposals were considered and passed, including the Proposal on Consideration of the 2015 Annual Financial Report, the Proposal on Consideration of the 2015 Profit Distribution Plan and Dividend Declaration Proposal, the Proposal on Consideration of the 2016 Annual Financial Budget, the Proposal on Consideration of the 2016 Annual Operation Plan, the Proposal on Consideration of the 2015 Performance of Completion of Investments and 2016 Investment Plan, the Proposal on Consideration of the 2015 Work Report of the Board, the Proposal on Proposing to the General Meeting for Granting a General Mandate to the Board for Additional Issuance of H Shares, the Proposal on Establishment of Beijing Urban Infrastructure Construction Investment Fund Management Co., Ltd., the Proposal on Establishment of Apple Orchard Transportation Hub Project Company, the Proposal on the Project of Structure Reinforcement and Facade Reconstruction for the Business Buildings and the Reconstruction and Extension of No. 5 Courtyard, Fuchengmen North Street.

2. On 24 June 2016, the Company held the twentieth extraordinary meeting of the first session of the Board, at which four proposals were considered and passed, including the Proposal on the Establishment of Guizhou Jingjian Capital Construction Co., Ltd. (貴州京建投資建設有限公司), the Proposal on the Establishment of Beijing Urban Construction Design Research Institute Co., Ltd. (北京城建設計研究院有限公司), the Proposal on the Establishment of a Branch in Astana City, Kazakhstan and the Proposal on the Appointment of the Deputy General Manager and Chief Accountant of the Company.
3. On 2 August 2016, the Company held the twenty first extraordinary meeting of the first session of the Board, at which two proposals were considered and passed, including the Proposal on the Establishment of Yunnan Jingjian Capital Construction Co., Ltd. (雲南京建投資建設有限公司) and the Proposal on the Establishment of a Branch in Delingha City, Haixi Prefecture, Qinghai Province.
4. On 30 August 2016, the Company held the twenty second meeting of the first session of the Board, at which proposals were considered and passed, including the Proposal on Approval of the 2016 Interim Results Announcement and Interim Report of the Company and so on.
5. On 1 December 2016, the Company held the twenty third meeting of the first session of the Board, at which non-executive Directors considered the performance of operation of the Company in 2016.
6. On 8 December 2016, the Company held the twenty fourth meeting of the first session of the Board, at which four proposals were considered and passed, including the Proposal on the Establishment of Urban Rail Transit Innovation Network Center Co., Ltd. (城市軌道交通創新網絡中心有限公司), the Proposal on Establishment of a Branch in Russia and the Proposal on Renewal of Continuing Connected Transaction.

**(II) Implementation of the Resolutions of General Meetings and the Resolutions of the Board by the Board**

The Board earnestly implemented the resolutions of the general meetings and supervised the implementation of the relevant resolutions by the management of the Company. In 2016, the Company convened two general meetings in total. At the 2016 First Extraordinary General Meeting, five proposals were considered and passed, including the Proposal in Relation to the Revision of the Existing Non-competition Agreement, the Proposal in Relation to the Revision of Integrated Services Framework Agreement, and the Proposal in Relation to the Revision of Relevant Annual Caps. At the 2015 Annual General Meeting of the Company, eight proposals were considered and passed, including the Proposal in Relation to the Consideration of 2015 Annual Financial Report, the Proposal in Relation to the Consideration of the 2015 Work Report of the Board of Directors, the Proposal in Relation to the 2016 Investment Plan of the Company, the Proposal in Relation to the Consideration of the 2015 Profit Distribution Plan and Dividend Declaration Proposal, and the Proposal in Relation to Granting the Board a General Mandate for Additional Issuance of H Shares etc.

Meanwhile, the Board supervised the implementation of investment resolutions and continued to focus on investment progress in accordance with the requirements in the Hong Kong Listing Rules.

The Board reviewed and approved the proposal on the renewal of the agreement of continuing connected transactions and the annual caps of the continuing connected transactions for the next three years and issued related announcement.

The registration of Beijing Urban Construction Infrastructure Investment Fund Management Co., Ltd. (北京城建基礎設施投資基金管理有限公司), a wholly-owned subsidiary of the Company, has completed, with registered capital of RMB100 million, and the registration of Beijing Urban Construction Design Research Institute Co., Ltd., a wholly-owned subsidiary of the Company, has completed, with registered capital of RMB30 million.

The registration of Beijing Shengtong Real Estate Co., Ltd (北京晟通置業發展有限公司), joint founded by the Company, Beijing Gonglian Transportation Junction Construction Management Co., Ltd. (北京公聯交通樞紐建設管理有限公司) and Beijing Shixing Tengfei Real Estate Co., Ltd. (北京實興騰飛置業發展公司), has completed, with an aim to conduct the first primary development of land of the comprehensive development project of the Apple Orchard Transportation Hub and the secondary development of the subsequent projects. The registered capital of the project company is RMB100 million, of which the Company contributed RMB40 million, accounting for 40% of the equity interests in the project company. The project company has currently obtained authorization of the primary development projects.

Guizhou Jingjian Capital Construction Co., Ltd (貴州京建投資建設有限公司) was established for implementation of the investment, construction, operation, management and transfer of Fengxin Expressway PPP project. The registered capital of the project company is RMB360 million, of which the Company contributed RMB270 million, accounting for 75% of the equity interests in the joint venture. The investment amount of the project is approximately RMB1.8 billion. As of the end of 2016, the accumulated investment of appropriately RMB549.5 million has been completed. The accumulated construction output of the project has reached RMB549.5 million, 30% of the project at average has been completed and several sections of the project have substantially completed.

Yunnan Jingjian Capital Construction Co., Ltd. (雲南京建投資建設有限公司) was established for implementation of the investment, construction, operation, management and transfer of PPP Project of Airport Avenue Mid-section in New District of Central Yunnan (Wenling Road to North Airport Highway). The registered capital of the project company is RMB386.98 million, of which the Company contributed RMB348.282 million, accounting for 90% of the equity interests in it. The investment amount of the project is approximately RMB1.726 billion. As of the end of 2016, the accumulated investment of RMB537 million has been completed. The accumulated construction output of the project has reached approximately RMB198 million, and more than a half of the major project has been completed.

### III. ISSUES

Looking back 2016, the overall performance of the Company was in good position. Although the result was positive, we should be also aware of the problems and shortcomings existing in the Company: Firstly, the Company should make deep research and use the Hong Kong Listing Rules to manage the Company's market value, enable the Company to continue financing and increase the total market value of the Company. Secondly, as the development of PPP, TOD and other new businesses, the financing means, total amount of funds and financing needs of the Company did not match, and the acquisition of PPP projects has great impact on the promotion of the proposed issuance of A shares. Thirdly, mergers and acquisitions, collaborations of the whole industrial chain and information construction and other aspects are the keys to the scale development of the Company, pending for continuous improvement. Fourthly, corporate governance structure of the Company needs to be further improved, and the roles of the specialized committees under the Board need to be more fully exerted.

**IV. THE KEY WORKS OF THE BOARD IN 2017**

2017 is an important year for implementation of the “13th Five-year” development plan, and for deepening the promotion of structural reform of the supply-side, which has witnessed a steady and healthy development of the economy and society. The national economy situation is also undergoing a slow but stable development with positive signals. In face of the changes in the market under the new normal, the Company shall seize the opportunities arising from the accelerated implementation of “Made in China 2025”, “Internet Plus”, “the Belt and Road Initiative” and other major strategic initiatives by Chinese government; the opportunity arising from the continuous growth resulted from the deepening reform of state-owned enterprises and the establishment of innovation-driven mode; and the opportunities arising from the promotion of the concepts including green smart transportation, sponge city and smart city. The Company will continue to do best and work hard in its traditional and advantageous market and actively explore new business market. By making full use of the listed platform, the Company will play a greater role and achieve greater value in the urban rail transit industry through a model that combines full industry chain with capital operation. The key works of the Board in 2017 are as follows:

- (I) With the guidance of the “13th Five-year (2016–2020)” development plan of the Company, the Company will take advantages of capital market platform to continue to finance so as to meet the demands for funds of rapid development of the Company. The Company will maintain the good image in the capital market, and improve the Company’s influence in the capital market and gradually carry out market value management works.
- (II) To develop and explore the long-existing and advantageous markets. Firstly, the Company will consolidate the leading position of the urban rail transit business, attach great importance to pre-marketing and the dynamic allocation mechanism of the staff and continue to extend its leading position by continuously improving technical skills, quality and customer services as well as the level of average performance appraisals and compensation cost control. Secondly, the civil municipal construction and design segment will be expanded and strengthened in its relevant product lines with support from the rail transit design and consultancy segment for and, by identifying appropriate opportunities, such as utility tunnel, smart city, sponge city and green buildings etc. in the market, the Company will produce featured and advantageous products. Thirdly, construction contracting segment will strengthen the performance of projects at hand, attach great attention to the subway, the tram car and urban utility tunnel to expand the construction size, and focus on raising the level of project management with a view to creating a brand image for urban rail transit construction.

- (III) To steadily enter into the PPP, TOD and other emerging markets, speed up the pace of industrialization of science and technology, and exert the advantages of science and technology innovation platforms. In 2017, the Company will dedicate to finalize the execution of agreements for one rail transit PPP project and one or two TOD projects. The Company will set up an incubation model of scientific and technological achievements combined with production, study and research, to speed up the research and marketing promotion of new products such as urban rail transit automation and utility tunnel supervision, striving to launch new products. The Company will develop new capabilities in operational management by virtue of the investment and financing business platform, as well as the practice of the project of rail transit Line 4 in Kunming and modern tram in Delingha. The Company will also focus on speeding up the development of the national engineering laboratory of rail transit, track structure research center, energy-saving center, implementing innovative research projects, and building a scale development platform for science and technology research and development.

Meanwhile, by leveraging of the advantages as a listed company, the Company will make great efforts in setting up an investment and financing platform, conduct research of equity, bonds and other financing channels for development as opportunities arise, and seek for corporate mergers and acquisitions and explore external expansion subject to the market condition and according to the development positioning and objectives of the Company. The Company will explore and establish the market value management system and capital operation system so as to achieve the dynamic balance and sustainable development of the Company's market value and intrinsic value via capital operation tools, therefore enhancing the value of the Company.

- (IV) To further improve the corporate governance structure, and effectively exert the functions of the specialized committees, effectively reflect decision-making functions of the Board in corporate governance, and strengthen the core role of the Board in strategic decision-makings. In addition, the Company will organize training of the Hong Kong Listing Rules and special communication activities for Directors, Supervisors and senior management in a timely manner.

During the year of 2016, all members of the Board of Supervisors performed their supervisory duties diligently in accordance with the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure for the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited in a stringent manner, strictly abided by the principle of good faith and through supervision over meetings and focusing on supervision over financial matters, internal control and compliance, effectively facilitated the efficient operation of the Company's corporate governance and proactively protected the interests of the shareholders, the Company and its employees.

#### **MEETINGS OF THE BOARD OF SUPERVISORS**

During the Year, the Board of Supervisors convened two meetings in total in March and December 2016, respectively, at which the proposals were considered and unanimously approved, including the Work Report of the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited for the Year 2015 and Proposal for Change of Supervisor.

#### **WORK OF THE BOARD OF SUPERVISORS**

The Supervisors attended the meetings of the Board and the general meetings of the Company held in 2016 to monitor the validity and compliance of convening of and proposals and resolutions made during the meetings of the Board and general meetings of the Company, and supervised and reviewed the operation compliance, the major operating activities and the corporate governance structure as well as the performance of Directors and senior management of the Company, and provided suggestions to the Board.

The Board of Supervisors focused on supervision over financial matters, internal control and compliance, supervised and regulated the corporate governance structure, supervised and urged the company to run its business according to laws and regulations, attended to the hot issues that existed in the changes of the Hong Kong Listing Rules and the Company's operations and management within its scope of responsibility, and gave advices and suggestions to the management in respect of compliance adjustment, operation and management strengthening and risk control from the perspective of healthy and sustainable development of the Company. The employee representative Supervisors fully expressed employees' requests in the supervision process, and earnestly protected employees' legal rights and interests.

#### **CHANGE OF MEMBER OF THE BOARD OF SUPERVISORS**

Mr. Fu Yanbing was appointed as a Supervisor on 28 January 2016 following the consideration and approval at the 2016 first extraordinary general meeting of the Company.

Mr. Yao Guanghong tendered his resignation as a Supervisor and the chairman of the Board of Supervisors to the Board of Supervisors on 1 November 2016 due to change of job assignments. Mr. Fu Yanbing tendered his resignation as a Supervisor to the Board of Supervisors on 15 December 2016 due to change of job assignments.

On 26 December 2016, after consideration and approval at the seventh meeting of the first session of the Board of Supervisors of the Company, it agreed to nominate Mr. Yuan Guoyue as a Supervisor to fill the vacancy resulting from the resignation of Mr. Yao Guanghong with a term starting from the date of the approval at the extraordinary general meeting of the Company to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. It agreed to nominate Ms. Zhao Hong as a Supervisor to fill the vacancy resulting from the resignation of Mr. Fu Yanbing with a term starting from the date of the approval at the extraordinary general meeting of the Company to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. Mr. Yuan Guoyue and Ms. Zhao Hong were appointed as Supervisors respectively on 9 March 2017 following the consideration and approval at the 2017 first extraordinary general meeting of the Company. On 9 March 2017, Mr. Yuan Guoyue was elected as the chairman of the Board of Supervisors after consideration and approval at the meeting of the Board of Supervisors of the Company.

The terms of office of the members of the first session of the Board of Supervisors of the Company expired on 27 October 2016. The members of the first session of the Board of Supervisors shall continue to perform their duties in accordance with the Company Law prior to the second session of the Board of Supervisors taking office after election.

#### **INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS**

The Board of Supervisors issues the following opinions in relation to the supervision and inspection work of the Company during the Year:

The Company operates compliantly and legally. The Directors and senior management of the Company had loyally performed their duties set forth in the Articles of Association, fully abided by principles of diligence and good faith, and had firmly implemented all resolutions of the general meetings and those of the Board. No Director or member of the senior management was found to have committed any breach of laws, regulations or the Articles of Association or to have infringed any rights or interests of the shareholders, the Company or its employees when performing their duties.

The financial reports are authentic and complete. The reviewed financial statements for the interim period of 2016 and the audited annual financial statements for 2016 of the Company and its subsidiaries were prepared strictly in accordance with the relevant accounting standards. These financial statements have given a true and fair view of the financial conditions and operating results of the Company and its subsidiaries. Accounting treatments have been applied consistently. The financial accounts are prepared regularly with clear records and complete information.

The Board of Supervisors is fully confident in the development and prospect of the Company. In 2017, the Board of Supervisors will continue to implement its supervisory duties and enhance its supervision over the Company's compliance with laws and regulations in respect of its operations and the Company's improvement of internal control systems in accordance with the relevant provisions of the Company Law and the Articles of Association and based on its work plan for the year. The Board of Supervisors regards maintaining effective operation and sound development of corporate governance of the Company as its responsibilities, and will strengthen its supervision, broaden the thinking of work, constantly improve its performance capabilities, diligently perform all its duties and earnestly safeguard the interests of the Company, its shareholders and employees.

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## NOTICE OF THE 2016 ANNUAL GENERAL MEETING

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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 2016 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2016 Annual General Meeting (the “AGM”) of Beijing Urban Construction Design & Development Group Co., Limited (the “**Company**”) will be held at Conference Room 501, 5F, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 9:30 a.m. on Monday, 5 June 2017, to consider and, if thought fit, approve the following resolutions (unless the context otherwise stated, the terms used herein shall have the same meanings as defined in the circular of the Company dated 19 April 2017 (the “**Circular**”)):

### **ORDINARY RESOLUTIONS**

1. To consider and approve the Financial Report for 2016;
2. To consider and approve the Audited Consolidated Financial Statements for the Year of 2016 and its Summary;
3. To consider and approve the 2016 profit distribution plan and dividend declaration proposal;
4. To consider and approve the re-appointment of auditors for 2017 and payment of the auditing service fee for 2016;
5. To consider and approve the 2017 Investment Plan;
6. To consider and approve the Report of the Board of Directors for 2016; and
7. To consider and approve the Report of the Board of Supervisors for 2016.

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### SPECIAL RESOLUTION

8. To consider and approve the following proposal on granting the Board a general mandate to issue additional H shares:

**“THAT:**

- (1) Subject to the following conditions, an unconditional and general mandate is granted to the Board (or Director(s) authorised by the Board) to issue, allot and deal with additional shares in the Company’s share capital, being H Shares and to make or grant offers, agreements, or options in relation to such shares:
  - (a) Except that the Board may make or grant offers, agreements, or options during the Relevant Period and such offers, agreements, or options might require further action or exercise after the end of the Relevant Period, the period of such mandate shall not exceed the Relevant Period;
  - (b) The aggregate nominal value of H Shares allotted or conditionally or unconditionally agreed to be allotted (whether allotted pursuant to the options or otherwise) under the approval of the Board shall not exceed 20% of the aggregate nominal value of H Shares of the Company in issue on the date of passing the relevant resolution at the general meeting; and
  - (c) The Board (or Director(s) authorised by the Board) will exercise the rights under the above mandate only under the circumstances where it is in compliance with the Company Law and the Hong Kong Listing Rules (both as amended from time to time) and obtains the approval from the China Securities Regulatory Commission and/or other related Chinese government authorities.
- (2) For the purpose of this proposal:

**“Relevant Period”** means the period from the date of the passing of this proposal until whichever is the earliest of the followings:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of 12-month period after the passing of this proposal; or
- (c) the date on which the mandate granted under this proposal is revoked or varied by a special resolution at a general meeting.

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- (3) To authorise the Board (or Director(s) authorised by the Board) to formulate and implement detailed issue proposals which includes, without limitation, the pricing mechanism and/or the issue price (including a price range), the number of shares to be issued, the target subscribers and the use of proceeds; to determine the issue timing and issue period, and to decide whether to place to existing shareholders or not when exercising the above-mentioned general mandate.
- (4) To authorise the Board (or Director(s) authorised by the Board) to engage intermediaries in connection with the issue and to approve and execute all actions, deeds, documents and such other matters that are necessary, appropriate, expedient or relevant to the issue; to consider, approve and execute agreements relating to the issue on behalf of the Company, including but not limited to placing and underwriting agreements, engagement agreements with intermediaries.
- (5) To authorise the Board (or Director(s) authorised by the Board) to consider, approve and execute, on behalf of the Company, the applications and documents relating to the issue to be submitted to relevant regulatory authorities; to fulfill relevant approval procedures in accordance with the requirements of regulatory authorities and requirements at the places where the Company is listed, and to handle all necessary archiving, registration and filing procedures at related government authorities in China, Hong Kong and/or any other districts and jurisdictions (if applicable).
- (6) To authorise the Board (or Director(s) authorised by the Board) to make amendments to the relevant agreements and legal documents mentioned in (4) and (5) above in accordance with the requirements of domestic and foreign regulatory authorities.
- (7) To authorise the Board (or Director(s) authorised by the Board) to approve the Company to increase its registered capital correspondingly after the issue pursuant to the H Shares in issue and to make relevant amendments as it thinks fit to the Articles of Association of the Company to reflect corresponding changes in the Company's registered capital, total capital and shareholding structure.

By order of the Board

**Beijing Urban Construction Design & Development Group Co., Limited**

**Wang Liping**

*Chairman*

Beijing, 19 April 2017

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*Notes:*

1. Details of the above resolutions are set out in the Circular.
2. The register of members of H Shares of the Company will be closed from Saturday, 6 May 2017 to Monday, 5 June 2017, 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 Saturday, 6 May 2017 shall be entitled to attend and vote at this AGM. In order for holders of H Shares of the Company to qualify for attending and voting at this AGM, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 5 May 2017 for registration.
3. The register of members of H Shares of the Company will be closed from Friday, 9 June 2017 to Tuesday, 13 June 2017, 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 Tuesday, 13 June 2017 shall be entitled to receive the 2016 final dividends of the Company (subject to the approval of the Shareholders at the AGM). In order for holders of H Shares of the Company to receive the 2016 final dividends of the Company, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 8 June 2017 for registration.
4. A Shareholder entitled to attend and vote at this AGM 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 this AGM in person to represent the relevant shareholder.
5. 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, that instrument must be executed either under its common seal or under the hand of its director(s) or duly authorised attorney. If that 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.
6. 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 12A, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai 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 this AGM (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 this AGM (or any adjournment thereof) if he or she so wishes. If no direction is given, the proxy will be entitled to vote or abstain as he or she thinks fit.
7. Holders of Domestic Shares who intend to attend this AGM 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 Monday, 15 May 2017 in hand, by post or by fax. Holders of H Shares who intend to attend this AGM 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 Monday, 15 May 2017 in hand, by post or by fax.
8. This AGM is estimated to last for about half a day. Shareholders or their proxies who attend this AGM (and any adjournment thereof) shall bear their own travelling and accommodation expenses. Shareholders or their proxies shall produce their identity documents when attending this AGM (and any adjournment thereof).