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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 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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This circular is for you information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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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) PROPOSED IMPLEMENTATION OF  
KEY EMPLOYEE STOCK OWNERSHIP SCHEME  
(2) PROPOSED NON-PUBLIC ISSUANCE OF DOMESTIC SHARES  
(3) PROPOSED CONNECTED SUBSCRIPTIONS  
(4) SPECIFIC MANDATE  
AND  
(5) NOTICES OF THE SECOND EXTRAORDINARY  
GENERAL MEETING IN 2017 AND H SHARES CLASS MEETING**

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



**ZHAOBANGJI  
INTERNATIONAL**

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A notice convening the EGM of the Company to be held at 501, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 9:30 a.m. on Tuesday, 26 December 2017, is set out on pages EGM-1 to EGM-4 of this circular.

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee containing their recommendations to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-20 of this circular. Notices convening the EGM and the Class Meetings of the Company are set out on pages EGM-1 to EGM-4 and HCM-1 to HCM-4 of this circular, respectively.

If you intend to appoint a proxy to attend the EGM and the Class Meetings, 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 and the Class Meetings 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 and the Class Meetings or any adjourned meeting thereof if you so wish.

If you intend to attend the EGM and the Class Meetings in person or by proxy, you are required to complete and return the reply slip on or before Wednesday, 6 December 2017.

7 December 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:*

“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
“Beijing SASAC”	State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality
“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
“Class Meetings”	domestic share class general meeting and H share class meeting
“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
“Connected Participant(s)”	actual or intended participant(s) of the KESOS who are connected persons to the Company
“connected person(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Connected Subscriptions”	the subscriptions of Domestic Shares by Connected Participants and the transactions contemplated thereunder
“CSRC”	China Securities Regulatory Commission

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## DEFINITIONS

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“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
“Domestic Shareholder(s)”	holder(s) of Domestic Shares
“EGM”	the second extraordinary general meeting of the Company in 2017 to be convened on Tuesday, 26 December 2017 to consider and, if thought fit, approve (i) the proposed implementation of KESOS by way of Non-Public Issuance of Domestic Shares; (ii) the Connected Subscriptions; and (iii) the authorization to the Board to deal with matters in connection with the KESOS
“Employee(s)”	employee(s) of the Company and its subsidiaries
“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
“H Shareholder(s)”	holder(s) of H Shares
“H Shares Class Meeting”	the class general meeting of H Shares Shareholders to be convened and held to approve among other things, the KESOS, the Non-Public Issuance and the Connected Subscriptions
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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

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## DEFINITIONS

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“Independent Board Committee”	the independent board committee comprising the independent non-executive Directors, namely Mr. Zhang Fengchao, Mr. Wang Dexing, Mr. Yim Fung, 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 the Connected Subscriptions
“Independent Financial Adviser” or “Zhaobangji”	Zhaobangji International Capital Limited (兆邦基國際融資有限公司), 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 the Connected Subscriptions
“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 proposed implementation of KESOS by way of Non-Public Issuance; (ii) the Connected Subscriptions; and (iii) the authorization to the Board to deal with matters in connection with the KESOS
“Issue Price”	the issue price of the Subject Shares
“July Announcement”	announcement of the Company dated 25 July 2017 in connection with, amongst others, the KESOS by way of Non-Public Issuance
“KESOS” or “Key Employee Stock Ownership Scheme”	stock ownership scheme for key employees of the Company
“Key Employee Stock Ownership Scheme of the Company (Draft)”	Proposal for Stock Ownership Scheme for Key Employees of Beijing Urban Construction Design & Development Group Co., Limited (Draft) as set out in the July Announcement
“Latest Practicable Date”	4 December 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lock-Up Period”	the period during which no Subject Shares may be disposed of or transferred

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## DEFINITIONS

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“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
“Non-Public Issuance”	the Non-Public Issuance of no more than 76,000,000 Domestic Shares for implementation of the Key Employee Stock Ownership Scheme by the Company
“November Announcement”	announcement of the Company dated 10 November 2017 in connection with the approval by Beijing SASAC in connection with the KESOS
“Participant(s)” or “Holder(s)”	the participant(s) of the Key Employee Stock Ownership Scheme, namely the holder(s) of Domestic Shares of Non-Public Issuance under the Key Employee Stock Ownership Scheme
“Partners’ Meeting”	the partners’ meeting of the Partnership Enterprise, which is comprised of all Holders
“Partnership Enterprise”	a general partnership enterprise established by the Holders pursuant to the Key Employee Stock Ownership Scheme to hold Domestic Shares under the Non-Public Issuance
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People's Republic of China
“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

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## DEFINITIONS

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“Specific Mandates”	the specific mandate to be sought from the Shareholders at the EGM for the allotment and issue of the Subject Shares to the Partner Enterprise for the implementation of the KESOS and the specific mandate to be sought from Independent Shareholders at the EGM and the Class Meetings for the allotment and issue of such number of the Subject Shares for the Connected Subscriptions
“Subject Shares”	new Domestic Shares to be issued to the Partnership Enterprise pursuant to the Non-Public Issuance
“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

*For the purpose of this circular, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.18. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK\$ has been or could have been or may be converted at such or another rate or at all.*

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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 (*Chairman*)

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

7 December 2017

*To the Shareholders:*

Dear Sir or Madam,

**(1) PROPOSED IMPLEMENTATION OF  
KEY EMPLOYEE STOCK OWNERSHIP SCHEME  
(2) PROPOSED NON-PUBLIC ISSUANCE OF DOMESTIC SHARES  
(3) PROPOSED CONNECTED SUBSCRIPTIONS  
(4) SPECIFIC MANDATE  
AND  
(5) NOTICES OF THE SECOND EXTRAORDINARY  
GENERAL MEETING IN 2017 AND H SHARES CLASS 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 EGM to be held at 501, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 9:30 a.m. on Tuesday, 26 December 2017.

References are made to the July Announcement and November Announcement in relation to the Key Employee Stock Ownership Scheme by way of Non-Public Issuance of Domestic Shares. The purpose of this circular is to provide you with, among other things:

- (a) further information about the KESOS;
- (b) details of the Non-Public Issuance of Domestic Shares;
- (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 the Connected Subscriptions;
- (d) a letter from Zhaobangji, which sets out the opinions and recommendations of Zhaobangji to the Independent Board Committee and Independent Shareholders in relation to the Connected Subscriptions;
- (e) notice of the EGM; and
- (f) notice of the H Shares Class Meeting,

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

### II. BACKGROUND

In order to establish a long-term incentive-based and restraint mechanism enabling the Employees and Shareholders to share their interests, risks and responsibilities as well as setting up businesses together, to maintain the stability of our team of key talents, and to strengthen the unity among employees and increase the competitiveness of the Company, so as to further optimize the shareholding structure and the governance mechanism of the Company, which in turn will promote the long-term development of the Company, the Company formulated the Key Employee Stock Ownership Scheme of the Company (Draft) pursuant to relevant requirements of the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, depending on the actual condition of the Company.

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## LETTER FROM THE BOARD

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### Subject Matters of the Key Employee Stock Ownership Scheme and the Non-Public Issuance

#### **1. Participants**

The Company set out the following standards for Participants of the Key Employee Stock Ownership Scheme:

1. Participants shall be key employees of the Company who hold key positions in the Company and have direct or rather substantial influence on the operating results and sustainable development of the Company, including but not limited to the directors of the Company (excluding those who are not employed the Company), senior management, researchers, operating management members and other business backbones with total number of not more than 190;
2. Participants shall be current Employees who signed the official employment contract with the Company or the subsidiaries of the Company and are not over the statutory retirement age as at the date when the relevant Board resolution was passed, that is 25 July 2017 (except for academicians);
3. Participants shall rank above the position of a deputy director in a professional institution, or above the position of the deputy level in a functional department of the Company, or hold above the senior title of professional position or registered professional qualifications corresponding to the professional titles of the Company;
4. If the candidates for the Participants have more than one direct relatives who currently hold office in the Company and subsidiaries of the Company, only one of them is entitled to become the Participant; and
5. The final number of the Participants and the amount subscribed through position-based method are determined by the actual payment.

#### **2. Sources of Funds**

The source of funds for the Holders to subscribe for Domestic Shares under the Non-Public Issuance is mainly derived from the legitimate salary of the Holders and through funds raised in other manners as permitted by the laws. After the Key Employee Stock Ownership Scheme is approved by Beijing SASAC and relevant regulatory authorities, the Holders shall make full payment for the subscription according to the notice of the Company and sign the subscription agreement to confirm their subscription intentions. Holders who have undertaken to participate in the Key Employee Stock Ownership Scheme but failed to make full payment for the subscription in a timely manner, will be disqualified for participating in the Key Employee Stock Ownership Scheme.

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## LETTER FROM THE BOARD

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The proceeds the Company received from the Issue Price will be used for the Company's general working capital in connection with its business needs.

### **3. *Source of Shares***

The source of Shares under the Key Employee Stock Ownership Scheme are Domestic Shares under the Non-Public Issuance with the nominal value of RMB1.00 per Share.

The Company shall not bestow the Domestic Shares under the Non-Public Issuance on employees at nil consideration and shall not breach relevant requirements under laws and regulations through conversion of the Domestic Shares under the Non-Public Issuance at a lower price. The Holders shall not hold equity interests in enterprises which the Company invested in, associated corporations and enterprises in which the same type of business is operated by the Company.

The Non-Public Issuance will be carried out in accordance with the special mandate. The special mandate, which will be valid for 12 months from the date of the EGM and Class Meetings is subject to consideration and approval by Independent Shareholders of the Company at the EGM as well as the Domestic Share class general meeting and the H Shares Class Meeting. As at the Latest Practicable Date, the Non-Public Issuance is expected to take place on or before 31 January 2018.

### **4. *Number of Shares***

According to the Key Employee Stock Ownership Scheme, the aggregate shares to be issued under the Non-Public Issuance will be no more than 6% of the existing issued share capital of the Company, i.e. no more than 76,000,000 Domestic Shares, representing approximately 5% of the issued share capital of the Company upon the completion of the Non-Public Issuance. Domestic Shares held by a single Holder shall not be more than 1,000,000 Shares, or exceed 0.079% of the current aggregate share capital of the Company. If there are changes in relevant laws, regulations and regulatory documents in the future, new regulations shall prevail. The final number of Domestic Shares to be issued under Non-Public Issuance will be subject to the actual number of Domestic Shares subscribed for under the Non-Public Issuance by the Holders.

### **5. *Issue Price and Pricing Principle***

The Issue Price in respect of the Subject Shares shall be RMB3.43 per Subject Share, at a premium over the Company's net asset value per Share, based on the following principle.

The pricing principle of the Issue Price of the Domestic Shares to be issued under the Non-Public Issuance is that on the basis of completing financial audit and assets valuation in accordance with the relevant PRC laws and regulations, the Issue Price shall not be lower

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## LETTER FROM THE BOARD

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than the net asset value per Share as required, approved and filed with Beijing SASAC. As at 31 December 2016, the audited consolidated net asset value of the Group was approximately RMB3,294.2 million, and the net asset value per Share was approximately RMB2.59. The final Issue Price of the Non-Public Issuance will be subject to the Issue Price approved by Beijing SASAC (approval obtained based on the valuation of the net asset value of the Company as at 31 December 2016) and relevant regulatory authorities, the EGM and the Class Meetings.

### **6. Lock-up Period**

The Lock-Up Period of the Key Employee Stock Ownership Scheme shall be 36 months, commencing from the date that the Domestic Shares to be issued under the Non-Public Issuance are registered under the name of the Partnership Enterprise.

If the domestic shares of the Company are listed during the Lock-Up Period of the Key Employee Stock Ownership Scheme, the Holders shall not transfer such Domestic Shares during the listing of domestic shares of the Company, and shall undertake a Lock-Up Period of not less than 36 months from the date of the listing of Domestic Shares.

During the Lock-Up Period, the Partnership Enterprise shall not sell or transfer the Domestic Shares held by it under the Non-Public Issuance, while partners of the Partnership Enterprise shall not transfer the equity interests of the Domestic Shares under the Non-Public Issuance held in an arbitrary manner. Upon the expiration of the Lock-Up Period, the Holders may reduce the Domestic Shares held by them according to relevant requirements of securities regulatory departments and stock exchanges. The directors and senior management of the Company may transfer not more than 25% of the total shares held by them in the Company each year during their tenure.

### **7. Valid Term**

The valid term of the Key Employee Stock Ownership Scheme, a one-off scheme, shall be 36 months upon expiration of the Lock-Up Period of the Key Employee Stock Ownership Scheme, commencing from the date when the Domestic Shares to be issued under the Non-Public Issuance are registered under the names of the Partnership Enterprise. If the sale of the Domestic Shares under the Non-Public Issuance is restricted by relevant laws, regulations and regulatory documents, which leads to the failure of the Domestic Shares under the Non-Public Issuance to be fully cashed before the expiration of the valid term, the valid term of the Key Employee Stock Ownership Scheme can be extended accordingly. If the valid term needs to be extended due to other circumstances, the extension shall be determined by the Partners' Meeting of the Partnership Enterprise.

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## LETTER FROM THE BOARD

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### 8. *Partnership Enterprise*

For the purpose of the Key Employee Stock Ownership Scheme, the Holders will establish a separate entity, a general partnership enterprise, the Partnership Enterprise, as a platform to hold the Domestic Shares on behalf of the Holders under the Non-Public Issuance upon completion of the Non-Public Issuance. The rights and benefits of the Subject Shares are vested in the Partnership Enterprise owned by the Holders upon completion of the Non-Public Issuance. The general partners of the Partnership Enterprise are comprised of the Holders of the Key Employee Stock Ownership Scheme. The Partnership Enterprise shall not participate in any operational activity except for the shareholding in the Company. As at the Latest Practicable Date, the Partnership Enterprise is expected to be formed before the EGM and Class Meetings. After completion of the Non-Public Issuance, the Holders, through the Partnership Enterprise, shall be able to vote in proportion to the Holders' interest in the Domestic Shares as a connected person of the Company, and shall abstain from voting at the general meeting of the Company if necessary in accordance with the Company's Articles and the Hong Kong Listing Rules. In respect of the voting rights attached to those Shares which have been allocated to Holders through the Partnership Enterprise, the voting rights shall be exercised by the Partnership Enterprise taking instructions from the management committee and the Holders as described below. In particular, when the Company convenes a general meeting, the management committee of the Partnership Enterprise will dispatch a voting form together with the relevant corporate communications (such as annual reports or shareholders circulars) to all the Holders to consider the resolutions to be considered at the relevant general meeting and fill out their voting instructions. The voting form will be similar to the proxy form sent to Shareholders and will provide the Holders the choice to vote for or against or abstain from voting on each of the resolutions to be considered at the general meeting. The management committee of the Partnership Enterprise shall collect the voting forms prior to the general meeting and shall vote at the general meeting in accordance with the results collated from such voting forms. The abovementioned arrangement is in accordance with the relevant laws and regulations of the PRC.

The internal management authority of the Partnership Enterprise is the Partners' Meeting, which is comprised of all Holders. The Board will formulate and amend the Key Employee Stock Ownership Scheme and deal with other matters in relation to the Key Employee Stock Ownership Scheme within the scope as authorized by the EGM, the Domestic Share class general meeting, the H Shares Class Meeting and the Partners' Meeting. The Key Employee Stock Ownership Scheme will also set up a management committee, an organization on

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## LETTER FROM THE BOARD

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behalf of all Holders in exercising the rights of Shareholders over the shares of the Company held under the Key Employee Stock Ownership Scheme (including voting rights of the Holders through the Partnership Enterprise at a general meeting of the Company), as well as performing routine management duties of the Key Employee Stock Ownership Scheme as authorized by the Holders. There will also be a management fee of RMB0.02 per Subject Share payable by the Participants to the Partnership Enterprise.

The details of the Key Employee Stock Ownership Scheme are set out in Appendix I to this circular.

### **Conditions of Implementation**

The implementation of the Key Employee Stock Ownership Scheme and the Non-Public Issuance shall be subject to the following conditions:

1. Obtaining the approval from Beijing SASAC and relevant regulatory authorities; and
2. Obtaining the approval from the independent shareholders of the Company at the extraordinary general meeting, the Domestic Share class general meeting and the H Share class general meeting.

### **Approval from the Board**

The proposal in relation to the implementation of Key Employee Stock Ownership Scheme by way of the Non-Public Issuance of Domestic Shares has been approved at the Board meeting dated 25 July 2017. Mr. Wang Hanjun and Mr. Li Guoqing, both being directors of the Company, both holds 48,000 H Shares in the Company, representing 0.01% of the total issued H Shares and approximately 0.004% of the total issued share capital of the Company, had abstained from voting due to their possible participation in the Key Employee Stock Ownership Scheme and their material interests in such transactions. The Board will also propose the authorization of a special mandate, which will be valid for 12 months from the date of the EGM and Class Meetings, to the Board to deal with, in its absolute discretion, relevant matters in relation to the implementation of the Key Employee Stock Ownership Scheme by way of the Non-Public Issuance at the EGM, the Domestic Share class general meeting and the H Shares Class Meeting.

### **Connected Subscriptions**

The table below set forth the proposed subscription of the Subject Shares by all identified Connected Participants taking into account the Issue Price of RMB3.43 per Domestic Share and management fee of RMB0.02 per Domestic Share:

## LETTER FROM THE BOARD

No.	Name		Position	Subject Shares	Implementation Price
<b>Connected Persons at the Company Level</b>					
1	WANG HANJUN	王漢軍	Executive Director	1,000,000	3,450,000
2	LI GUOQING	李國慶	Executive Director	1,000,000	3,450,000
3	MI JIANZHOU	彌建洲	Supervisor (Resigned)	750,000	2,587,500
4	ZHANG WEI	張巍	Supervisor (Resigned)	550,000	1,897,500
5	WANG WENJIANG	王文江	Supervisor (Resigned)	400,000	1,380,000
6	WANG JINGANG	王金剛	Supervisor (Resigned)	400,000	1,380,000
<b>Connected Persons at the Subsidiary Level</b>					
7	MA HAI ZHI	馬海志	Director	660,000	2,277,000
8	LI LI	李莉	Director	400,000	1,380,000
9	LIAO YUANGUO	廖遠國	Director	550,000	1,897,500
10	SHI ZHONGHENG	施仲衡	Director	1,000,000	3,450,000
11	LIU QIAN	劉遷	Director	550,000	1,897,500
12	WAN XUEHONG	萬學紅	Director	750,000	2,587,500
13	ZHANG HUI	張輝	Director/Supervisor	400,000	1,380,000
14	XUE HAIPING	薛海萍	Director	400,000	1,380,000
15	CHANG DONGBIAO	常東彪	Director	400,000	1,380,000
16	LIU XINJIE	劉新傑	Director	550,000	1,897,500
17	CHENG YAN	成硯	Director	750,000	2,587,500
18	FENG AIJUN	馮愛軍	Director	550,000	1,897,500
19	MAO LILIANG	毛勵良	Director	550,000	1,897,500
20	WANG HONGWEI	王宏偉	Supervisor	400,000	1,380,000
21	WANG LIANG	王良	Director	750,000	2,587,500
22	XIA XIUJIANG	夏秀江	Director	620,000	2,139,000
23	YIN ZHIGUO	尹志國	Director/Supervisor	620,000	2,139,000
24	YU SONGWEI	于松偉	Director	750,000	2,587,500
25	LIU LI	劉立	Director	750,000	2,587,500
26	LI YANCHUAN	李延川	Director/Supervisor	400,000	1,380,000
27	ZHANG YUHUA	張玉華	Director	620,000	2,139,000
28	CAI ZHAOXIA	蔡朝霞	Supervisor	400,000	1,380,000
29	SHEN YUEWU	沈躍武	Supervisor	400,000	1,380,000
30	GUO DEYOU	郭德友	Supervisor	550,000	1,897,500
31	WU DAN	伍丹	Supervisor	400,000	1,380,000
<b>Total Connected Persons</b>				<b>18,270,000</b>	<b>63,031,500</b>

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## LETTER FROM THE BOARD

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The number of Domestic Shares proposed to be subscribed by Connected Participants is 18,270,000 Domestic Shares, representing approximately (i) 24.04% of the Subject Shares to be issued under the Non-Public Issuance (assuming 76 million Subject Shares are issued); (ii) 2.07% of the total issued number of Domestic Shares as at the Latest Practicable Date; (iii) 1.44% of the total issued shares of the Company as at the Latest Practicable Date; and (iv) 1.35% of the total issued shares of the Company as enlarged by the Non-Public Issuance (assuming no other changes in the share capital of the Company).

The Connected Subscriptions are subject to approvals of the Independent Shareholders having been obtained at the EGM and the Class Meetings.

The proposed subscription of the Subject Shares by the remaining Participants taking into account the Issue Price of RMB3.43 per Domestic Share and management fee of RMB0.02 per Domestic Share involve 159 Participants, comprising members of the senior management and employees of the Company, with a total of 57.73 million Shares at the total implementation Price of RMB199,168,500.

The 57,730,000 Domestic Shares to be subscribed by the remaining Participants represents approximately (i) 75.96% of the Subject Shares to be issued under the Non-Public Issuance (assuming 76 million Subject Shares are issued); (ii) 6.53% of the total issued number of Domestic Shares as at the Latest Practicable Date; (iii) 4.54% of the total issued share capital of the Company as at the Latest Practicable Date; and (iv) 4.28% of the total issued share capital of the Company as enlarged by the Non-Public Issuance (assuming no other changes in the share capital of the Company).



## LETTER FROM THE BOARD

### Shareholding Structure of the Company

For illustrative purpose only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Subject Shares, assuming 76 million new Domestic Shares will be issued to the Partner Enterprise and there are no other changes in the shareholding structure of the Company after the Latest Practicable Date:

Shareholders	Shareholding structure as at the Latest Practicable Date		Shareholding structure after the issue of Subject Shares	
	<i>Number of Shares held</i>	<i>% of total Shares</i>	<i>Number of Shares held</i>	<i>% of total Shares</i>
<b>Domestic Shares</b>				
Beijing Urban Construction Group Co., Ltd	571,031,118	44.87%	571,031,118	42.34%
Beijing Infrastructure Investment Co., Ltd.	87,850,942	6.90%	87,850,942	6.51%
Beijing Jingguofa Equity Investment Fund (Limited Partnership)	46,000,000	3.61%	46,000,000	3.41%
Tianjin Jun Rui Qi Equity Investment Partnership (LLP)	46,000,000	3.61%	46,000,000	3.41%
Other Domestic Shareholders	133,850,940	10.53%	133,850,940	9.93%
<b>Partnership Enterprise</b>	–	–	76,000,000	5.64%
<b>H Shares</b>				
<b>Connected H Shareholders</b>				
Wang Liping (Chairman and non- executive Director)	52,000	0.004%	52,000	0.004%
Wang Hanjun (Executive Director and general manager)	48,000	0.004%	48,000	0.004%
Li Guoqing (Executive Director)	48,000	0.004%	48,000	0.004%
<b>Public H Shareholders</b>	<u>387,789,000</u>	<u>30.471%</u>	<u>387,789,000</u>	<u>28.753%</u>
<b>Total (Domestic Shares and H Shares)</b>	<b><u>1,272,670,000</u></b>	<b><u>100.00%</u></b>	<b><u>1,348,670,000</u></b>	<b><u>100.00%</u></b>

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## LETTER FROM THE BOARD

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After completion of the Non-Public Issuance, for the duration of the KESOS, as the Partnership Enterprise is accustomed to take voting instructions from the Company's core connected persons, the Shares held by the Partnership Enterprise will not be considered as public pursuant to the Listing Rules and is deemed as a connected person of the Company. However, after completion of the Non-Public Issuance, the Company remains to have sufficient public float in accordance with the Listing Rules.

### **Reasons for and Benefits of the Implementation of the Key Employee Stock Ownership Scheme**

The Board is of the view that the implementation of the Key Employee Stock Ownership Scheme helps establish a long-term incentive-based and restraint mechanism enabling the Employees and Shareholders to share their interests, risks and responsibilities as well as setting up businesses together, to maintain the stability of our team of key talents, and to strengthen the unity among Employees and increase the competitiveness of the Company, so as to further optimize the shareholding structure and the governance mechanism of the Company, which in turn will promote the long-term development of the Company.

Directors of the Company (excluding the independent non-executive directors of the Company, who will make comments with reference to the opinions of the Independent Financial Adviser) consider that the contents of the Key Employee Stock Ownership Scheme are fair and reasonable. The implementation of the Key Employee Stock Ownership Scheme is in the interest of the Company and its Shareholders as a whole.

### **About the Company**

The Company mainly engages in design, survey and consultancy services for urban rail transit engineering, industrial and civil construction and municipal engineering, as well as engineering contracting business in relation to urban rail transit construction projects.

### **Fund-raising Activities in the Past 12 Months**

The Company has not conducted any fund-raising activities from share issuance within the 12 months immediately preceding the Latest Practicable Date.

### **Listing Rules Implications**

Each Connected Participant is a director or supervisor of the Company and/or its subsidiaries or director of the Company's subsidiaries in the last 12 months and therefore a connected person of the Company under the Listing Rules. Therefore, the Non-Public Issuance of Domestic shares to each Connected Participant constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules, or is subject to the reporting, announcement and independent Shareholders'

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## LETTER FROM THE BOARD

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approval requirements under Chapter 14A of the Listing Rules. Upon confirmation of the details of the Key Employee Stock Ownership Scheme and the Non-Public Issuance of Domestic Shares, including the setting up of the Partnership Enterprise and Completion of the Non-Public Issuance, the Company will publish relevant announcement(s) as required by the Listing Rules.

Pursuant to Rule 19A.38 of the Listing Rule and the Articles of Association, the implementation of the proposed Key Employee Stock Ownership Scheme by way of the Non-Public Issuance shall be subject to the approval of Domestic Shareholders and H Shareholders by way of special resolutions at the respective class general meetings. The Company will hold the EGM, Domestic Share class general meeting and H Shares Class Meeting to consider and approve at its discretion the resolution in relation to the implementation of Key Employee Stock Ownership Scheme by way of the Non-Public Issuance.

The Company established the Independent Board Committee in order to advise Independent Shareholders on the resolution in respect of the Connected Subscriptions. The Company has appointed an independent financial adviser to make recommendation to the Independent Board Committee and Independent Shareholders.

The Key Employee Stock Ownership Scheme is not a share option scheme and shall not be subject to the requirements under Chapter 17 of the Listing Rules.

**The Key Employee Stock Ownership Scheme shall be subject to the fulfillment of certain conditions, and accordingly, the Key Employee Stock Ownership Scheme may or may not proceed. Shareholders and potential investors of the Company are advised to pay attention to investment risks and exercise in caution when dealing in the shares of the Company.**

### **Independent Board Committee**

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in respect of the Connected Subscriptions. No member of the Independent Board Committee has any material interest in the KESOS, the Non-Public Issuance and the Connected Subscriptions. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular.

### **Independent Financial Adviser**

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Connected Subscriptions. A letter from the Independent Financial Advisor is set out on pages IFA-1 to IFA-20 of this circular.

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## LETTER FROM THE BOARD

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### III. EGM AND THE CLASS MEETINGS

The EGM will be held at 501, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 9:30 a.m. on Tuesday, 26 December 2017, to consider and approve: (i) the proposed implementation of KESOS by way of Non-Public Issuance; (ii) the Connected Subscriptions; and (iii) the authorization to the Board to deal with matters in connection with the KESOS. A notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular. A proxy form and a reply slip for the EGM are also enclosed herewith.

#### **Non-Public Issuance**

In connection with the proposed implementation of the Key Employee Stock Ownership Scheme, it is proposed that not more than 76 million new Domestic Shares, representing approximately 5.97% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 5.64% of the total issued share capital of the Company as enlarged by the Non-Public Issuance (assuming no other changes in the share capital of the Company), be issued to the Partnership Enterprise pursuant to the Non-Public Issuance.

In connection with the Non-Public Issuance, the Company and the Partnership Enterprise expects to enter into a subscription agreement, pursuant to which the Partnership Enterprise shall conditionally subscribe for the Subject Shares. The completion of the subscription will be subject to the conditions set out in the subscription agreement having been fulfilled.

The details relating to the Non-Public Issuance are set out in Appendix II to 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 Wednesday, 6 December 2017.

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## LETTER FROM THE BOARD

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### **Connected Persons Who are Required to Abstain from Voting on the Resolutions**

Pursuant to Rule 14A.36 of the Listing Rules, any shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolution at the EGM and the Class Meetings.

As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, Mr. Wang Hanjun and Mr. Li Guoqing both Directors, each holds 48,000 H Shares, representing 0.012% of the total issued H Shares and 0.004% interest in the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolutions to be proposed at the EGM and the H Shares Class Meeting.

Save as disclosed above, to the best knowledge, information and belief of the Directors, none of the other Shareholders are required to abstain from voting on the relevant resolutions at the EGM or the Class Meetings.

### **Book Closure Period**

In order to determine the list of Shareholders who will be entitled to attend and vote at the EGM and the Class Meetings, the register of members of the Company will be closed from Sunday, 26 November 2017 to Tuesday, 26 December 2017, both days inclusive, during which period no transfer of Shares will be registered.

For the identification of Shareholders who are qualified to attend and vote at the EGM, the H Shares Class Meeting and Domestic Share class general meeting, all transfer documents accompanied by the relevant share certificates must be lodged 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 (for H Shareholders), or the registered office of the Company (for Domestic Shareholders), for registration not later than 4:30 p.m. on Friday, 24 November 2017. Shareholders whose names appear on the register of members of the Company on Tuesday, 26 December 2017 will be entitled to attend and vote at the EGM, the H Shares Class Meeting. Domestic Shareholders whose names appear on the register of members of the Company on Tuesday, 26 December 2017 will be entitled to attend and vote at the EGM and the Domestic Share class general meeting.

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## LETTER FROM THE BOARD

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### IV. VOTING BY WAY OF POLL

According to Rule 13.39(4) of the Hong Kong Listing Rules and the Articles of Association, the resolutions set out in the notice of the EGM and the Class Meetings 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](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 EGM and the Class Meetings.

### V. 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 IBC-1 to page IBC-2 of this circular;
- (b) the letter from Zhaobangji, which sets out its opinions and recommendations to the Independent Board Committee and the Independent Shareholders, on page IFA-1 to page IFA-20 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 Implementation of the Key Employee Stock Ownership Scheme” 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) Mr. Wang Hanjun and Mr. Li Guoqing, each holding 48,000 H Shares, representing approximately 0.012% of the total issued H Share capital and approximately 0.004% of the total issued share capital of the Company, who have abstained from voting at the meeting of the Board to approve the KESOS) are of the opinion that the KESOS, the Non-Public Issuance and the Connected Subscriptions 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 resolutions to be proposed at the EGM and Class Meetings to approve the KESOS; Non-Public Issuance of Domestic Shares and the Connected Subscriptions.

Yours faithfully,

By order of the Board

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

**Wang Liping**

*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

*Independent non-executive Directors:*

Zhang Fengchao

Wang Dexing

Sun Maozhu

Liang Qinghuai

Yim Fung

7 December 2017

*To the Independent Shareholders:*

Dear Sir or Madam,

**(1) PROPOSED IMPLEMENTATION OF  
KEY EMPLOYEE STOCK OWNERSHIP SCHEME  
(2) PROPOSED NON-PUBLIC ISSUANCE OF DOMESTIC SHARES  
(3) PROPOSED CONNECTED SUBSCRIPTIONS  
(4) SPECIFIC MANDATE  
AND  
(5) NOTICES OF THE SECOND EXTRAORDINARY  
GENERAL MEETING IN 2017 AND H SHARES CLASS MEETING**

Reference is made to the circular of the Company dated 7 December 2017 (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 the terms of the Connected Subscriptions are fair and reasonable and are on normal commercial terms as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Zhaobangji has been appointed as the Independent Financial Adviser to give advice to the Independent Board Committee and the Independent Shareholders in the same regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages IFA-1 to IFA-20 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendices thereto.

Having considered the Connected Subscriptions, and the advice and recommendations of Zhaobangji, and taken into account the principal factors and reasons considered by Zhaobangji, we are of the opinion that the Connected Subscriptions 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 special resolutions to be proposed at the EGM and Class Meetings to approve the Connected Subscriptions.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee

**Mr. Zhang Fengchao**

**Mr. Wang Dexing**

**Mr. Sun Maozhu**

**Mr. Liang Qinghuai**

**Mr. Yim Fung**

*Independent non-executive Directors*



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## LETTER FROM ZHAOBANGJI

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



**ZHAOBANGJI  
INTERNATIONAL**

**Zhaobangji International Capital Limited**  
Unit 1 & 17, 19/F,  
China Merchants Tower, Shun Tak Centre,  
168–200 Connaught Road Central, Hong Kong

7 December 2017

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED CONNECTED SUBSCRIPTIONS**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscriptions and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 7 December 2017 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as disclosed in the Circular.

References are made to the July Announcement and the November Announcement. As some of the target participants of the KESOS are Connected Participants which include Directors (excluding independent non-executive Directors) and/or supervisors of the Company and/or its subsidiaries or director of the Company’s subsidiaries in the last 12 months and therefore a connected person of the Company under the Listing Rules, each Connected Subscription will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, annual review, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Mr. Wang Hanjun and Mr. Li Guoqing, both being Directors of the Company, who hold 48,000 H Shares and 48,000 H Shares respectively, representing 0.004% and 0.004% equity interests in the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolutions to be proposed at the EGM and the H Shares Class Meeting. Save as disclosed above, none of the other Shareholders are required to abstain from voting on the relevant resolutions.

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## LETTER FROM ZHAOBANGJI

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As at the Latest Practicable Date, the Partnership Enterprise is expected to be formed before the EGM and Class Meetings. As set out in the Letter from the Board, prior to the completion of the Connected Subscriptions, the Partnership Enterprise has no interest in the Domestic Shares, and is therefore not a connected person nor an entity entitled to vote at the EGM or Class Meetings. After completion of the Non-Public Issuance, the Holders, through the Partnership Enterprise, shall be able to vote in proportion to the Holders' interest in the Domestic Shares as a connected person of the Company, and shall abstain from voting at the general meeting of the Company if necessary in accordance with the Company's Articles and the Hong Kong Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhang Fengchao, Mr. Wang Dexing, Mr. Yim Fung, Mr. Sun Maozhu and Mr. Liang Qinghuai, has been established to advise the Independent Shareholders in respect of the Connected Subscriptions. We, Zhaobangji, has been appointed to advise the Connected Subscriptions.

During the past two years, we have not acted as independent financial adviser to the independent board committee and/or independent shareholders of the Company. As at the Latest Practicable Date, there were no relationships or interests between Zhaobangji and the Group and its respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscriptions as detailed in the Circular. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Accordingly, we consider such relationship would not affect our independence.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group and have assumed that they are true, accurate and complete as at the date of the Circular and will remain so up to the time of the EGM and the Class Meetings. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts has been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any independent investigation into the business and affairs of any of the Group and its respective subsidiaries and associates.

# LETTER FROM ZHAOBANGJI

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Connected Subscriptions, we have taken into consideration the following principal factors and reasons into consideration:

### 1. Background of and the reasons for the Connected Subscriptions

#### (i) *The Group*

The Group is principally engaged in the design, survey and consultancy businesses (mainly the provision of services for urban rail transit, industrial and civil construction and municipal engineering projects) and construction contracting business (mainly focusing on the services for urban rail transit construction projects and relevant infrastructure construction projects).

The following table summarises the financial information of the Group for the six months ended 30 June 2016 and 2017, as extracted from the interim report of the Company for the six months ended 30 June 2017 (“**2017 Interim Report**”), and financial years ended 31 December 2015 and 2016, as extracted from the annual report of the Company for the financial year ended 31 December 2016 (“**2016 Annual Report**”).

	For the six months ended 30 June		For the years ended 31 December	
	2017	2016	2016	2015
	(unaudited)	(unaudited)		
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3,032,123	1,973,499	5,090,073	4,008,513
Gross profit	583,386	435,704	1,103,034	833,976
Profit for the period/year	226,242	187,771	478,682	397,708
	As at	As at	As at	As at
	30 June	30 June	31 December	31 December
	2017	2016	2016	2015
	(unaudited)	(unaudited)		
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	13,315,460	8,989,826	11,003,118	7,739,604
Total liabilities	9,699,255	5,803,151	7,485,646	4,725,866
Net assets	3,616,205	3,186,675	3,517,472	3,013,738

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## LETTER FROM ZHAOBANGJI

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### *June 2017 VS June 2016*

The Group recorded revenue of approximately RMB3,032.1 million for the six months ended 30 June 2017, representing an increase of approximately 53.6% compared to approximately RMB1,973.5 million for the six months ended 30 June 2016. As disclosed in the 2017 Interim Report, such increase was mainly attributable to the Company's adherence to the development strategies of expanding the design, survey and consultancy business as well as capturing favourable opportunities in the urban rail transit development in the PRC. For the six months ended 30 June 2017, the net profit of the Group was approximately RMB226.2 million, representing an increase of approximately 20.4% compared to approximately RMB187.8 million for the six months ended 30 June 2016. Such increase was mainly due to the increase of revenue arisen from the construction contracting segment which increased from approximately RMB950.0 million for the six months ended 30 June 2016 to approximately RMB1,756.6 million for the six months ended 30 June 2017, representing an increase of approximately 84.9%. Such increase in construction contracting revenue was mainly attributable to the commencement of the Feng-Xin Express Line project in Zun Yi, Guizhou and the Dianzhong New Area Air-port Avenue project in Kunming, Yunnan in the second half of 2016.

### *December 2016 VS December 2015*

The Group's revenue increased by approximately 27.0% from approximately RMB4,008.5 million for the year ended 31 December 2015 to approximately RMB5,090.1 million for the year ended 31 December 2016. According to the 2016 Annual Report, such increase in revenue was mainly attributable to the smooth progress of Public-Private Partnership projects in the construction contracting segment. The Group's net profit increased by approximately 20.4% from approximately RMB397.7 million for the year ended 31 December 2015 to approximately RMB478.7 million for the year ended 31 December 2016. Such increase was attributable to the increase of gross margin. The increase in gross margin was mainly due to the fact that the percentage of total operating revenue attributable to the construction contracting segment increased from approximately 51.0% for the year ended 31 December 2015 to approximately 56.5% for the year ended 31 December 2016, and the gross margin of the construction contracting segment increased from approximately 10.1% for the year ended 31 December 2015 to approximately 14.3% for the year ended 31 December 2016.

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## LETTER FROM ZHAOBANGJI

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As at 30 June 2017, the Group recorded total assets, total liabilities and net assets of approximately RMB13,315.5 million, RMB9,699.3 million and RMB3,616.2 million respectively. As at 31 December 2016, the Group recorded total assets, total liabilities and net assets of approximately RMB11,003.1 million, RMB7,485.6 million and RMB3,517.5 million respectively.

**(ii) The Connected Participants**

Each Connected Participant is a director or supervisor of the Company and/or its subsidiaries or director of the Company's subsidiaries in the last 12 months and therefore a connected person of the Company under the Listing Rules. As set out in the Letter from the Board and according to the Key Employee Stock Ownership Scheme, the aggregate shares to be issued under the Non-Public Issuance will be no more than 6% of the existing issued share capital of the Company, i.e. no more than 76 million Domestic Shares, representing approximately 5.64% of the issued share capital of the Company upon the completion of the Non-Public Issuance.

The Connected Subscriptions are subject to the approvals of the Independent Shareholders having been obtained at the EGM and the Class Meetings.

The table below set forth the proposed subscription of portions of the KESOS ("KESOS Portions") by all identified Connected Participants:

No.	Name		Position	Subject Shares	Implementation Price (RMB)
<b>Connected Persons at the Company Level</b>					
1	WANG HANJUN	王漢軍	Executive Director	1,000,000	3,450,000
2	LI GUOQING	李國慶	Executive Director	1,000,000	3,450,000
3	MI JIANZHOU	彌建洲	Supervisor (Resigned)	750,000	2,587,500
4	ZHANG WEI	張巍	Supervisor (Resigned)	550,000	1,897,500
5	WANG WENJIANG	王文江	Supervisor (Resigned)	400,000	1,380,000
6	WANG JINGANG	王金剛	Supervisor (Resigned)	400,000	1,380,000

# LETTER FROM ZHAOBANGJI

				Subject	Implementation
No.	Name		Position	Shares	Price (RMB)
Connected Persons at the Subsidiary Level					
7	MA HAIZHI	馬海志	Director	660,000	2,277,000
8	LI LI	李莉	Director	400,000	1,380,000
9	LIAO YUANGUO	廖遠國	Director	550,000	1,897,500
10	SHI ZHONGHENG	施仲衡	Director	1,000,000	3,450,000
11	LIU QIAN	劉遷	Director	550,000	1,897,500
12	WAN XUEHONG	萬學紅	Director	750,000	2,587,500
13	ZHANG HUI	張輝	Director/Supervisor	400,000	1,380,000
14	XUE HAIPING	薛海萍	Director	400,000	1,380,000
15	CHANG DONGBIAO	常東彪	Director	400,000	1,380,000
16	LIU XINJIE	劉新傑	Director	550,000	1,897,500
17	CHENG YAN	成硯	Director	750,000	2,587,500
18	FENG AIJUN	馮愛軍	Director	550,000	1,897,500
19	MAO LILIANG	毛勵良	Director	550,000	1,897,500
20	WANG HONGWEI	王宏偉	Supervisor	400,000	1,380,000
21	WANG LIANG	王良	Director	750,000	2,587,500
22	XIA XIUJIANG	夏秀江	Director	620,000	2,139,000
23	YIN ZHIGUO	尹志國	Director/Supervisor	620,000	2,139,000
24	YU SONGWEI	于松偉	Director	750,000	2,587,500
25	LIU LI	劉立	Director	750,000	2,587,500
26	LI YANCHUAN	李延川	Director/Supervisor	400,000	1,380,000
27	ZHANG YUHUA	張玉華	Director	620,000	2,139,000
28	CAI ZHAOXIA	蔡朝霞	Supervisor	400,000	1,380,000
29	SHEN YUEWU	沈躍武	Supervisor	400,000	1,380,000
30	GUO DEYOU	郭德友	Supervisor	550,000	1,897,500
31	WU DAN	伍丹	Supervisor	400,000	1,380,000
Total Connected Persons				18,270,000	63,031,500

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## LETTER FROM ZHAOBANGJI

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**(iii) Background of the Connected Subscriptions**

References are made to the July Announcement in relation to the proposed implementation of KESOS by way of Non-Public Issuance and the November Announcement in relation to the approval by Beijing SASAC in connection with the KESOS. As set in the November Announcement, the Company received the “Approval on the Implementation of the Pilot Employee Stock Ownership Scheme by Beijing Urban Construction Design and Development Group Co., Limited” (Jing Guo Zi [2017] No. 177) from the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality agreeing the Company to become one of the first batch of pilot enterprises to adopt an employee stock ownership scheme, and implementing the Key Employee Stock Ownership Scheme by way of Non-Public Issuance.

The Issue Price for each Subject Share is RMB3.43 and it is expected that in aggregate there will be no more than 76 million KESOS Portions and correspondingly no more than 76 million Subject Shares, representing approximately 5.97% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 5.64% of the total issued share capital of the Company as enlarged by the Non-Public Issuance (assuming no other changes in the share capital of the Company), will be issued to the Partnership Enterprise pursuant to the Non-Public Issuance.

The number of Domestic Shares proposed to be subscribed by Connected Participants is 18,270,000 Domestic Shares, representing approximately (i) 24.04% of the Subject Shares to be issued under the Non-Public Issuance (assuming 76 million Subject Shares are issued); (ii) 2.07% of the total issued number of Domestic Shares as at the Latest Practicable Date; (iii) 1.44% of the total issued shares of the Company as at the Latest Practicable Date; and (iv) 1.35% of the total issued shares of the Company as enlarged by the Non-Public Issuance (assuming no other changes in the share capital of the Company).

**(iv) Reasons for and benefits of the Connected Subscriptions**

To consider whether the terms of the Connected Subscriptions relating to the KESOS are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, we have reviewed the terms of the KESOS as well as other market comparables. A full text of the KESOS is set out in Appendix I to this Circular.

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## LETTER FROM ZHAOBANGJI

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As set out in the Letter from the Board, the purpose of KESOS is to establish a long-term incentive-based and restraint mechanism enabling the Employees and Shareholders to share their interests, risks and responsibilities as well as setting up businesses together, to maintain the stability of our team of key talents, and to strengthen the unity among Employees and increase the competitiveness of the Company, so as to further optimize the shareholding structure and the governance mechanism of the Company.

When considering the nature of the KESOS, we have compared it with share option schemes within the meaning of Chapter 17 of the Listing Rules which are generally adopted by many companies listed on the Stock Exchange. We consider that the principles under the KESOS are generally in line with those of Chapter 17 of the Listing Rules, such as Rule 17.03(5) and 17.03(11) of the Listing Rules which suggest that the period within which the securities must be taken up under the scheme and the life of the scheme must not be more than 10 years. By comparison, pursuant to the proposed implementation of the KESOS, the valid term of the KESOS shall be 36 months upon expiration of the Lock-Up Period of the Key Employee Stock Ownership Scheme, commencing from the date when the Domestic Shares to be issued under the Non-Public Issuance are registered under the names of the Partnership Enterprise. Moreover, Rule 17.03(6) of the Listing Rules suggest that it is not required to have a minimum period for which an option must be held before it can be exercised, with regards to share option schemes. In contrast, pursuant to the proposed implementation of the KESOS, the underlying Domestic Shares are subject to the Lock-Up Period of 36 months. During the Lock-Up Period, the Partnership Enterprise shall not sell or transfer the Domestic Shares held by it under the Non-Public Issuance, while partners of the Partnership Enterprise shall not transfer the equity interests of the Domestic Shares under the Non-Public Issuance held in an arbitrary manner. In addition, according to the Opinion on Commencement of Pilot Employee Stock Ownership by State-Owned Holding Mixed Ownership Enterprises (Guo Zi Fa Gai Ge [2016] No. 133) (《關於國有控股混合所有制企業開展員工持股試點的意見》(國資發改革[2016]133號)) issued by State-owned Assets Supervision and Administration Commission of the State Council, it suggested that the employee stock ownership scheme should have a lock-up period of 36 months and upon the expiration of the lock-up period, the directors and senior management of the Company may transfer not more than 25% of the total Shares held by them in the Company each year during their tenure. In comparison, the proposed implementation of the KESOS matches the requirement stipulated by such opinion. We are of the view that such lock-up restriction is favourable to the Group as it could align the interests of the Shareholders, the Company and the Connected Participants in the long run by allowing them to benefit from the possible increase in share price of the Company attributable to the future business advancement of the Group and also could encourage longer term of commitment of the Connected Participants.



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## LETTER FROM ZHAOBANGJI

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We noted that the KESOS is a practical alternative to share option schemes generally adopted by listed companies on the Stock Exchange (being those governed under Chapter 17 of the Listing Rules), which are implemented with the intention of motivating employees, enhancing their sense of responsibility and maintaining the stability of the workforce. In the case of the Company which business operations and employee base are predominantly in the PRC, it is logical that the KESOS opts for Domestic Shares rather than H Shares as the instrument, which are not listed on the Stock Exchange. H Shares which are listed on the Stock Exchange cannot be generally owned or bought by employees who are nationals of the PRC unless otherwise approved by relevant authorities. The CSRC issued the “CSRC Announcement [2014] No. 33” on 20 June 2014 (the “**CSRC Announcement**”) which promotes PRC corporations to adopt employee stock ownership schemes with a view to provide greater flexibility as to how companies can design employee compensation packages. Since 20 June 2014 (being the date of the release of the CSRC Announcement), we noted that to-date seven PRC incorporated and listed companies on the Stock Exchange had adopted such schemes by way of private placement through issuing new shares. The KESOS is therefore a method not uncommonly adopted by PRC incorporated companies with listed H shares in the stock market in Hong Kong.

We have also discussed with the management of the Company regarding the benefits of the KESOS as an incentive scheme. According to the management of the Company, they have considered several methods of providing incentives to the Connected Participants, including but not limited to performance bonus as well as the KESOS. After careful consideration of the various alternative, the Directors consider the KESOS to be the most appropriate given that, as opposed to the other alternatives, the KESOS will enable the Company to prevent cash outflow while allowing added incentives to the Connected Participants to make contribution to the Group. In addition, the benefits of the KESOS to the Connected Participants are dependent on the improvement in the performances of the Group and that the Connected Participants will benefit when all the other target participants of the KESOS are also in the same interests to the benefits of the KESOS, the Directors are of the view that the KESOS will further align the interests of the Connected Participants with the Company together with the other target participants of the KESOS.

We have discussed with the management of the Company other alternative of providing incentives to the Connected Participants such as performance bonus and understand that usually certain criteria have to be achieved in order to entitle performance bonus whilst there are no specific benchmarks for KESOS so long as the Group’s performance is in satisfaction. Accordingly, we are of the view that KESOS can provide greater incentives to the Connected Participants as compared to other alternative such as performance bonus.

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## LETTER FROM ZHAOBANGJI

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Having considered the above, in particular, (i) the KESOS would motivate the Connected Participants without incurring additional cash outflow of the Group; (ii) the benefits of the KESOS are dependent on the performance of the Group which would allow the Group to retain and motivate the Connected Participants as well as the other target participants of the KESOS for the continual operation and development of the Group; and (iii) the benefits of providing incentives by way of KESOS over other alternative, we concur with the Directors' view that the KESOS is the most appropriate incentive among other alternative such as performance bonus.

In view of the foregoing reasons for and possible benefits of the implementation of the KESOS, including the participation of the Connected Participants, the Directors are of the view and we concur that the KESOS with the participation of the Connected Participants is in the interests of the Company and the Shareholders as a whole.

### 2. Key terms of the Non-Public Issuance

As described in the Letter from the Board, the implementation of the KESOS shall be by way of Non-Public Issuance of new Domestic Shares to the Partnership Enterprise. Set out below are the key terms of the Non-Public Issuance of Domestic Shares:

Class and nominal value of shares to be issued	: New Domestic Share of RMB1.00 each
Subscriber	: Partnership Enterprise, which is a separate entity and a general partnership enterprise to be formed as a platform to hold the Domestic Shares on behalf of the Holders under the Non-Public Issuance upon completion of the Non-Public Issuance. In respect of the voting rights attached to those Shares which have been allocated to Holders through the Partnership Enterprise, the voting rights shall be exercised by the Partnership Enterprise taking instructions from the management committee of the Partnership Enterprise and the Holders
Number of shares to be issued	: not more than 76 million new Domestic Shares, representing approximately 5.64% of the issued share capital of the Company upon the completion of the Non-Public Issuance and approximately 5.97% of the total issued share capital of the Company as at the Latest Practicable Date
Issue price	: RMB3.43 per new Domestic Share

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## LETTER FROM ZHAOBANGJI

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Implementation price under KESOS Portions	: RMB3.45 per new Domestic Share
Validity	: in accordance with the special mandate, which will be valid for 12 months from the date of the EGM and Class Meetings
Term	: 36 months upon expiration of the Lock-Up Period of the KESOS, commencing from the date on which the Subject Shares are being registered under the name of the Partnership Enterprise
Method of issuance	: Non-Public Issuance

Further details regarding the Partnership Enterprise, KESOS and the Non-Public Issuance are set out in the Letter from the Board, Appendix I and Appendix II to this Circular, respectively.

**(i) *Number of Domestic Shares to be issued***

As set out in the Letter from the Board, the number of Domestic Shares to be issued under the Non-Public Issuance will not exceed 76 million new Domestic Shares. Assuming full subscription, the entirety of the Domestic Shares issued under the Non-Public Issuance will account for (i) approximately 5.97% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 5.64% of the total issued share capital of the Company as enlarged by the Non-Public Issuance upon completion of the Non-Public Issuance (assuming no other changes to the share capital of the Company). Since the total portions of the KESOS is less than 10% of the Company's total share capital, it is in compliance with employee stock ownership guideline stipulated in the CSRC Announcement, and also similar to the requirements under Chapter 17 of the Listing Rules. As such, we are of the view that the number of Domestic Shares to be issued under the Connected Subscriptions is acceptable and fair and reasonable.

**(ii) *Lock-up period***

As set out in the Letter from the Board, the Lock-Up Period of the Key Employee Stock Ownership Scheme shall be 36 months, commencing from the date that the Subject Shares to be issued under the Non-Public Issuance are registered under the name of the Partnership Enterprise. If the Domestic Shares are listed during the Lock-Up Period of the Key Employee Stock Ownership Scheme, the Holders shall not transfer such Domestic Shares during the listing of Domestic Shares of the Company, and shall undertake a Lock-Up Period of not less than 36 months from the date of the listing of Domestic Shares. During the Lock-Up Period, the Partnership Enterprise shall not sell or transfer the Domestic Shares held by it under

the Non-Public Issuance, while partners of the Partnership Enterprise shall not transfer the equity interests of the Domestic Shares under the Non-Public Issuance held in an arbitrary manner. Upon the expiration of the Lock-Up Period, the Holders may reduce the Domestic Shares held by them according to relevant requirements of securities regulatory departments and stock exchanges. The directors and senior management of the Company may transfer not more than 25% of the total Shares held by them in the Company each year during their tenure.

Based on the above, we are of the view that the lock-up arrangement in relation to the Non-Public Issuance is in the interests of the Company and the Shareholders as a whole having taken into account that (i) the lock-up arrangement applies to all participants of the Non-Public Issuance (including the Connected Participants); (ii) the lock-up arrangement will encourage the participants of the KESOS, including the Connected Participants, to commit to the Group on a longer term; and (iii) the lock-up arrangements are similar to the corresponding terms of schemes adopted by other comparables listed issuers as demonstrated in the sub-section headed “3. Comparison with other comparable companies” below.

**(iii) Issue price**

As set out in Letter from the Board, the pricing principle of the Issue Price of the Domestic Shares to be issued under the Non-Public Issuance is that on the basis of completing financial audit and assets valuation in accordance with the relevant PRC laws and regulations, the Issue Price shall not be lower than the net asset value per Share as required, approved and filed with Beijing SASAC. The final Issue Price of the Non-Public Issuance will be subject to the Issue Price approved by Beijing SASAC (approval obtained based on the valuation of the net asset value of the Company as at 31 December 2016) and relevant regulatory authorities, the EGM and the Class Meetings.

As the Subject Shares to be issued and allotted pursuant to the Non-Public Issuance are Domestic Shares which are not currently tradable on any stock exchange and hence there is no publicly available trading price, we have alternatively used the share price of H Shares for the purpose of comparison and analysis having considered that the trading price of the H Shares was the only publicly available information on the price of the Shares.

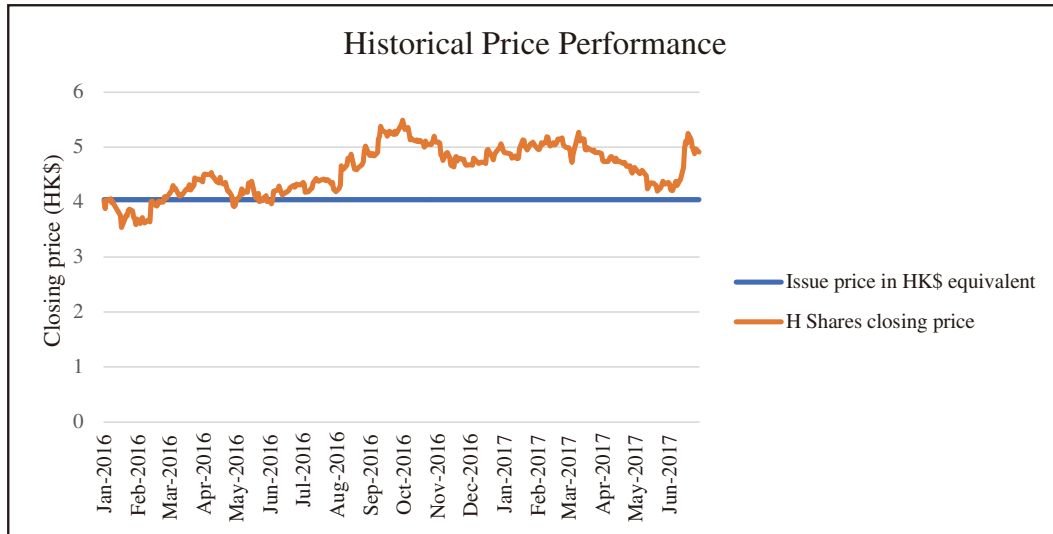
In order to assess the fairness and reasonableness of the Issue Price, we have reviewed and performed comparison of the Issue Price of RMB3.43 per Domestic Share (which is equivalent to approximately HK\$4.05 per Share based on the exchange rate of RMB1.00 to HK\$1.18 for illustrative purpose only) to the historical closing price of the H Shares as quoted on the Stock Exchange over 365-trading day period prior to and including 24 July 2017, being the last trading day prior to July Announcement (the “**Review Period**”). We consider that such 365-trading day period would be sufficient to smooth out the effects of

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## LETTER FROM ZHAOBANGJI

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any short-term fluctuations in the stock market for our analysis and therefore can serve as a benchmark for assessing the Issue Price. The following chart depicts the comparison of the daily closing prices of the H Shares and the issue price in HK\$ equivalent during the Review Period:



Source: Stock Exchange

As illustrated above, during the Review Period, the closing prices of the H Shares recorded lowest closing price of HK\$3.54 on 12 February 2016 and highest closing price of HK\$5.49 on 29 October 2016. As illustrated on the chart above, the issue price of RMB3.43 per Domestic Share (equivalent to approximately HK\$4.05 per Share) represents a premium of approximately 14.4% to such lowest closing price and a discount of approximately 26.2% to such highest closing price respectively. The average of the closing prices of the H Shares during the Review Period was approximately HK\$4.58. The Issue Price represents a discount of approximately 11.6% to such average closing price.

Taking into account that (i) the Issue Price represents a premium of approximately 32.5% to the audited net asset value attributable to the owners of the Company as at 31 December 2016; and (ii) the Issue Price does not represent a material discount of the average closing price of the H Shares during the Review Period, we are of the view that the Issue Price is justifiable.

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## LETTER FROM ZHAOBANGJI

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*(iv) Implementation price under the Connected Subscriptions*

As stated in the Letter from the Board, it is expected that in aggregate there will be no more than 76 million KESOS Portions, with each KESOS Portion corresponding to one Subject Share at an implementation price of RMB3.45 per KESOS Portion. As advised by the management of the Company, the part in excess of the price paid for the Subject Shares, being RMB3.45 per Subject Share as compared to the issue price of the Subject Shares of RMB3.43 per Subject Share, shall be used for the payment of management fee in respect of the Partnership Enterprise.

Taking into consideration that (i) the Issue Price of RMB3.43 is lower than the implementation price of RMB3.45; and (ii) the price differentiation between the Issue Price and implementation price of RMB0.02 is solely for the payment of management fee in respect of the Partnership Enterprise; and (iii) the aforesaid payment of management fee to be paid by Connected Participants is immaterial, representing approximately 0.58% of the implementation price, we consider that the issue price of RMB3.43 shall be used for the analysis.

**3. Comparison with other comparable companies**

As part of our analysis, we have also identified six main board listed companies and one growth enterprise market listed company with H shares listings in the Stock Exchange which have (i) announced the adoption of the employee stock ownership schemes (implemented by way of subscription of new A shares/domestic shares)/involves issuance of new A shares/domestic shares to employees since 20 June 2014 (being the date of the release of the CSRC Announcement); and (ii) included identified participants who are connected persons (the “**Comparables**”). We believe the list below to be exhaustive. The time period was chosen as we believe that the seven companies

# LETTER FROM ZHAOBANGJI

which have undertaken such an exercise since 20 June 2014 are sufficient to provide a reasonably well informed view which represents fair and representative samples. The result of our analysis are as follows:

Date of announcement relating to the adoption of the employee stock ownership scheme and/or determination of the issue price per share	Company name	Stock market and class of shares	Stock code	Approximate size of the scheme	Subscription/issue price per share	365-trading day average price of A/H shares (as the case may be) to the date of announcement relating to the adoption of the employee stock ownership scheme		Approximate percentage of (discount)/premium to the 365-trading day average price of A/H shares (as the case may be) to the date of announcement relating to the adoption of the employee stock ownership scheme (%)	Lock-up period
						A Shares	H Shares		
13 January 2015	廣州白雲山醫藥集團股份有限公司 Guangzhou Baiyunshan Pharmaceutical Holdings Co. Ltd.	Shanghai Stock Exchange A shares Stock Exchange H shares	SHA: 600332 HK: 874	RMB505.1 million	RMB23.84	RMB28.85	N/A	(17.4)	36 months
10 April 2015	招商銀行股份有限公司 China Merchants Bank Co., Ltd.	Shanghai Stock Exchange A shares Stock Exchange H shares	SHA: 600036 HK: 3968	RMB6,000.0 million	RMB13.8	RMB11.42	N/A	20.8	36 months
27 May 2015	招金礦業股份有限公司 ZHAOJIN MINING INDUSTRY COMPANY LIMITED	Stock Exchange H shares	HK: 1818	RMB237.6 million	RMB2.97	N/A	HK\$4.60	(23.8)	36 months
10 June 2015	長飛光纖光纜股份有限公司 Yangtze Optical Fibre and Cable Joint Stock Limited Company (“Yangtze Optical Fibre”)	Stock Exchange H shares	HK: 6869	HK\$228.7 million	HK\$7.15	N/A	HK\$7.95 (note 1)	(10.1)	24 months
8 October 2015	山東新華製藥股份有限公司 Shandong Xinhua Pharmaceutical Company Limited	Shenzhen Stock Exchange A shares Stock Exchange H shares	SZA: 000756 HK: 719	RMB35.0 million	RMB9.36	RMB8.53	N/A	9.7	36 months

# LETTER FROM ZHAOBANGJI

Date of announcement relating to the adoption of the employee stock ownership scheme and/or determination of the issue price per share	Company name	Stock market and class of shares	Stock code	Approximate size of the scheme	Subscription/issue price per share	365-trading day average price of A/H shares (as the case may be) to the date of announcement relating to the adoption of the employee stock ownership scheme		Approximate percentage of (discount)/premium to the 365-trading day average price of A/H shares (as the case may be) to the date of announcement relating to the adoption of the employee stock ownership scheme (%)	Lock-up period
						A Shares	H Shares		
8 July 2016	紫金礦業集團股份有限公司 Zijin Mining Group Co., Ltd.	Shanghai Stock Exchange A shares Stock Exchange H shares	SHA: 601899 HK: 2899	RMB401.7 million	RMB3.09	RMB3.76	N/A	(17.8)	36 months
2 June 2017	中生北控生物科技股份有限公司 BIOSINO BIO-TECHNOLOGY AND SCIENCE INCORPORATION ("BIOSINO")(note 2)	Stock Exchange H shares	HK: 8247	RMB11.0 million	RMB2.45	N/A	HK\$3.06	(5.5)	36 months
25 July 2017	The Company	Stock Exchange H shares	HK: 1599	RMB260.7 million	RMB3.43 (equivalent to approximately HK\$4.05)	N/A	HK\$4.58	(11.6)	36 months

**Note 1:** Yangtze Optical Fibre was listed on 10 December 2014. Therefore the average day-end trading price from the date of commencement of trading to the last trading day prior to the date of announcement relating to the adoption of the employee stock ownership scheme is used for this analysis.

**Note 2:** All the Comparables involve the adoption of the employee stock ownership schemes (implemented by way of subscription of new A shares/domestic shares), except BIOSINO which involves issuance of new A shares/domestic shares to its employees.

As indicated in the table above, the subscription/issue prices of the Comparables ranged from a discount of approximately 23.8% to a premium of approximately 20.8% to their respective 365-trading day average price of A/H shares (as the case may be) prior to the date of announcement relating to the adoption of the employee stock ownership scheme. We note that the Issue Price of RMB3.43 (equivalent to approximately HK\$4.05 per Share) represents a discount of approximately 11.6% to the 365-trading day average price of the H Shares prior to the date of the July Announcement. Such percentage falls within the range of approximately 23.8% discount to approximately 20.8% premium of the Comparables.



## LETTER FROM ZHAOBANGJI

Taking into account that (i) the Domestic Shares are not listed and therefore there is no publicly available transfer price which allows for a liquidity discount as compared to the H Shares; (ii) the issue price under the Non-Public Issuance is the same for all participants under the KESOS (i.e. applies also to the Connected Participants under the Connected Subscriptions); and (iii) the abovementioned percentage discount to the 365-trading day average price of the Company's H Shares falls within the range of approximately 23.8% discount to approximately 20.8% premium of the Comparables; we are of the view that the terms of the Connected Subscriptions are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

#### 4. Effect of the Connected Subscriptions on the shareholding structure of the Company

Assuming there is no change in the issued share capital of, and the shareholding in, the Company from the Latest Practicable Date other than the KESOS (including the Connected Subscriptions), the table below sets forth the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Subject Shares (including the Connected Subscriptions), assuming 76 million new Domestic Shares will be issued to the Partnership Enterprise and there are no other changes in the shareholding structure of the Company after the Latest Practicable Date:

Shareholders	Shareholding structure as at the		Shareholding structure after the	
	Latest Practicable Date		issue of Subject Shares	
	<i>Number of shares held</i>	<i>% of total shares</i>	<i>Number of shares held</i>	<i>% of total shares</i>
<b>Domestic Shares</b>				
Beijing Urban Construction				
Group Co., Ltd	571,031,118	44.87%	571,031,118	42.34%
Beijing Infrastructure				
Investment Co., Ltd.	87,850,942	6.90%	87,850,942	6.51%
Beijing Jingguofa Equity Investment				
Fund (Limited Partnership)	46,000,000	3.61%	46,000,000	3.41%
Tianjin Jun Rui Qi Equity Investment				
Partnership (LLP)	46,000,000	3.61%	46,000,000	3.41%
Other Domestic Shares holders	133,850,940	10.53%	133,850,940	9.93%
<b>Partnership Enterprise</b>	–	–	76,000,000	5.64%

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## LETTER FROM ZHAOBANGJI

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Shareholders	Shareholding structure as at the		Shareholding structure after the	
	Latest Practicable Date		issue of Subject Shares	
	<i>Number of shares held</i>	<i>% of total shares</i>	<i>Number of shares held</i>	<i>% of total shares</i>
<b>H Shares</b>				
<b>Connected H Shareholders</b>				
Wang Liping (Chairman and non-executive Director)	52,000	0.004%	52,000	0.004%
Wang Hanjun (Executive Director and general manager)	48,000	0.004%	48,000	0.004%
Li Guoqing (Executive Director)	48,000	0.004%	48,000	0.004%
<b>Public H Shareholders</b>	<u>387,789,000</u>	<u>30.471%</u>	<u>387,789,000</u>	<u>28.753%</u>
<b>Total (Domestic Shares and H Shares)</b>	<u><b>1,272,670,000</b></u>	<u><b>100.00%</b></u>	<u><b>1,348,670,000</b></u>	<u><b>100.00%</b></u>

As set out in the Letter from the Board, after completion of the Non-Public Issuance, for the duration of the KESOS, as the Partnership Enterprise is accustomed to take voting instructions from the Company's core connected persons, the Shares held by the Partnership Enterprise will not be considered as public pursuant to the Listing Rules and is deemed as a connected person of the Company.

Based on the illustration above, immediately after the implementation of the KESOS (including the Connected Subscriptions) and assuming there is no change in the issued share capital of, and shareholding in, the Company from the Latest Practicable Date up to the date of the full participation in the KESOS, we noted that the shareholding of the existing public H Shares Shareholders in the Company would be diluted from approximately 30.47% to approximately 28.75%. The existing public H Shares Shareholders would have a potential maximum decrease in shareholding of approximately 1.72% following the implementation of the KESOS.

Taking into account the potential benefits of the KESOS as discussed above and the fact that the shareholdings of all Shareholders will be diluted proportionally to their respective shareholdings, with all other things being equal, we consider such potential dilution to the shareholdings of the Independent Shareholders to be acceptable.

### 5. Possible financial effects of the Connected Subscriptions

#### *Assets and Liabilities*

According to the 2016 Annual Report, the audited consolidated total assets and liabilities of the Group as at 31 December 2016 were approximately RMB11,003.1 million and approximately RMB7,485.6 million respectively. Upon the implementation of the KESOS (including the Connected Subscriptions), the cash level of the Group is expected to be increased. As such, the KESOS is expected to have a positive impact on the assets of the Group. On the other hand, there should be no material effect on the liabilities of the Group under the KESOS.

#### *Net asset value per Share*

As disclosed in the 2016 Annual Report, the audited consolidated net asset value (“NAV”) attributable to the owners of the Company amounted to approximately RMB3,294.2 million as at 31 December 2016. Based on approximately 1,272.7 million Shares in issue as at the Latest Practicable Date, NAV per Share as at 31 December 2016 would be approximately RMB2.59.

Upon the implementation of the KESOS (including the Connected Subscriptions) and receipt of the maximum proceeds of approximately RMB260.7 million pursuant to the KESOS as mentioned above, the NAV attributable to the owners of the Company would be at approximately RMB3,554.9 million and the Company would have approximately 1,348.7 million issued Shares, resulting in the NAV per Share of RMB2.64. It is expected that there would not be a material effect on the NAV per Share.

#### *Working capital*

As disclosed in the 2016 Annual Report, the aggregate balance of cash at bank and on hand of the Group as at 31 December 2016 was approximately RMB2,565.9 million. Upon the implementation of the KESOS (including the Connected Subscriptions), the cash position of the Group is expected to improve, thus the KESOS is expected to have a positive impact on the working capital of the Group.

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## LETTER FROM ZHAOBANGJI

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### ***Gearing ratio***

According to the 2016 Annual Report, the gearing ratio (defined as total liabilities divided by total assets) was approximately 68.0%. Upon the implementation of the KESOS, the cash level of the Group is expected to be increased. As such, the gearing ratio of the Group is expected to be improved.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon implementation of the KESOS.

### **OPINION AND RECOMMENDATION**

Having considered the principal factors and reasons as discussed above, in particular the fact that (i) the terms of the Connected Subscriptions are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned though the Connected Subscriptions is not conducted in the ordinary and usual course of business of the Company; and (ii) the Connected Subscriptions by the Connected Participants is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM and the relevant Class Meetings to approve the Connected Subscriptions.

Yours faithfully,

For and on behalf of

**Zhaobangji International Capital Limited**

**Fabian Shin**

**Danny Leung**

*Chief Executive Officer*

*Director*

*Mr. Fabian Shin is a licensed person registered with the SFC and a responsible officer of Zhaobangji International Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO and has over twenty years' experience in the corporate finance industry.*

*Mr. Danny Leung is a licensed person registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO and has over seven years' experience in the corporate finance industry.*

In accordance with the Opinion on Commencement of Pilot Employee Stock Ownership by State-Owned Holding Mixed Ownership Enterprises (Guo Zi Fa Gai Ge [2016] No. 133) (《關於國有控股混合所有制企業開展員工持股試點的意見》(國資發改革[2016]133號)), the Implementation Opinion of Beijing Municipal People's Government on Development of Mixed Ownership Economy by Municipal State-Owned Enterprises (Jing Zheng Fa [2016] No. 38) (《北京市人民政府關於市屬國有企業發展混合所有制經濟的實施意見》(京政發[2016]38號)), the Implementation Measures on Commencement of Pilot Employee Stock Ownership by Municipal State-Owned Holding Mixed Ownership Enterprises (Jing Guo Zi Fa [2016] No. 21) (《關於市屬國有控股混合所有制企業開展員工持股試點的實施辦法》(京國資發[2016]21號)), Audit Management Measures on Commencement of Pilot Employee Stock Ownership by Owned Holding Company (Cheng Jian Qi Guan Fa [2017] No. 28) (《所屬控股企業開展員工持股試點審核管理辦法》(城建企管發[2017]28號)) and other relevant requirements, formulating the Key Employee Stock Ownership Scheme (the “**Scheme**”) of Beijing Urban Construction Design & Development Group Co., Limited (the “**Company**” or “**Design Group**”).

## I. BASIC INFORMATION OF THE ENTERPRISE:

The predecessor of the Company was Beijing Urban Construction Engineering Design Institute. The history of the Company dates back to 1958, being the research and design institute set up for the first subway of China, known as Beijing Subway Line 1. In 2002, the design institute was converted to Beijing Urban Construction Design & Research Institute Co., Limited, and its substantial shareholder was Beijing Urban Construction Group Co., Ltd. (“**Beijing Urban Construction Group**”), with a shareholding ratio of 56.84%, while the Employee Shareholding Committee, which was mainly backed by the key management technicians of the design institute, held 43.16% of the Shares.

In 2012, as approved by the municipal SASAC, for the listing purpose of the Company, Beijing Urban Construction Group acquired all equity interests held by the Employee Shareholding Committee, and introduced seven state-owned enterprises and social capital, such as Beijing Infrastructure Investment Co., Ltd., Beijing Rail Transit Construction and Management Co., Ltd., Beijing Gonglian Highway Connect Line Co., Ltd., etc., as the strategic investors. On 8 July 2014, the Company was listed on the Hong Kong Stock Exchange, tapping into the international capital market.

The Company is an authentic high-tech enterprise recognized by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and Local Tax Bureau. It has over 4,000 employees, of which over 3,500 employees are directly engaged in the design and consultation business segment, over 730 employees owned senior title or above, and over 3,200 employees had bachelor degree or above. As of the end of 2016, the total assets amounted to RMB11.003 billion, the operating income amounted to RMB5.09 billion, and profit RMB479 million. On 21 July 2017, the total market value amounted to HKD6.325 billion.

**II. THE PURPOSE, NECESSITY AND FEASIBILITY OF THE SCHEME**

The purpose of the Scheme is to establish a long-term incentive-based and restraint mechanism enabling the employees and Shareholders to share their interests, risks and responsibilities as well as setting up businesses together, to maintain the stability of our team of key talents, and to strengthen the unity among employees and increase the competitiveness of the Company, and to further optimize the shareholding structure and the governance mechanism of the Company.

The Company has been maintaining its leading position in the fully competitive urban rail transit industry. The Company undertook to implement equity incentives when it was listed in the Hong Kong capital market in 2014. The Company, being an enterprise with the features of city rail transit design and consultation, has the characteristics of intensive human resources and light assets. Human resources are the core resources of the Design Group, while the working enthusiasm, initiative and creativity of senior management and core management and technology backbones directly impact the future development of the Design Group.

Implementation of the Scheme complies with the relevant documents of the SASAC, the relevant listing rules and its own requirements. The Company ensures the prevention of outflow of the outstanding management talents and business backbones of the Company to withstand economic changes of the PRC, and to deal with ups and downs in the industry and other risks through conducting research on the development of the industry and stabilizing of company personnel. Implementation of the Scheme will also attract, retain and motivate splendid management talents and business backbones to boost the long-term development of the Company.

**III. SUMMARY OF EMPLOYEE STOCK OWNERSHIP SCHEME****(I) Principles of the Scheme*****1. Compliance with laws and regulations, open and transparent***

Implementation of procedures and standardization of operation are in strict accordance with the relevant laws and regulations of the PRC and Beijing municipality and the relevant listing rules. The Scheme shall not be utilized for any action such as insider trading, stock market manipulation and other securities fraud.

**2. *Voluntary participation, self-bearing of risks***

Implementation of the Scheme follows the principle of self-determination of the Company, and voluntary participation of employees. The Company will not force employees to participate by ways of apportionment, mandatory distribution and other methods. The Holders of the Scheme assume responsibility for their profits and losses at their own risks, and have equal interests with other investors.

**3. *Position-based method, dynamic adjustment***

The Scheme aims to motivate employees to dedicate on their work, and are closely linked to their post and performance. The establishment of a complete internal circulation and exit mechanism of equity interest strengthens the dynamic management of shareholding.

**4. *Scientific supervision, devolution and management***

The Company adheres to the principle of marketization, effectively enhances the vitality of enterprises through the Scheme, and strengthens internal and external supervision to prevent the loss of state-owned assets.

**(II) Scope and determination standards of the Holders of the Scheme****1. *Scope of the Holders of the Scheme***

The Holders of the Scheme shall be key employees of the Company who hold key positions in the Company and have direct or rather substantial influence on the operating results and sustainable development of the Company, including the Directors of the Company (excluding those who are not employed by the Company), senior management, researchers, operating management members and other business backbones.

**2.     *Determination of the Holders of the Scheme***

The total number of the Holders of the Scheme shall not exceed 190. The Holders of the Scheme shall be current employees who signed the official employment contract with the Company or controlling enterprises of the Company on the date when the Board resolution is passed, and are not over the statutory retirement age (excluding academicians). Specific standards are as follows:

- (1)   Persons who are qualified with one of the followings can participate in the evaluation of the Holders of the Scheme: holding a position above deputy director in professional institute, above deputy director in functional departments of the Company, with above senior titles, with registered professional qualifications corresponding to the titles of the Company.
- (2)   The shortlisted employees shall be scored and ranked in accordance with the standard, being as the basis for entering the Holders of the Scheme and filling vacancies. The shortlisted employees shall be scored by their individual duties, titles and registration, and the sum of score shall be as the primary basis for ranking. In case of same score, the ranking shall be carried out by comparing their seniority, title, registration, personal honor, term of office of the latest post, length of obtaining the highest title, length of obtaining high level registration.

①     *Specific scoring standards:*

- (a)   According to the Employee Stock Ownership Scheme, scoring will be divided into 8 levels with scoring intervals from 80 points to 10 points. Specific levels are as follows:

Level 1:   managerial personnel of the Company, academician;

Level 2:   deputy managerial personnel of the Company;

Level 3:   deputy chief engineer and assistant of the Company,  
            professor of professional institute;

Level 4:   assistant professor of professional institute;

Level 5:   deputy chief engineer of professional institute, professor  
            personnel of regional institute;



Level 6: managerial personnel of functional departments (division) of the Company, professor of professional institute, assistant professor of regional institute, professor of foreign branch;

Level 7: assistant professor of professional institute, deputy chief engineer of regional institute, assistant professor of level-A branch, assistant professor of level-B branch;

Level 8: deputy director of functional departments of the Company, assistant professor of level-C branch.

For professional institute with a scale of under 400 people, the professor and assistant professor of professional institute will be scored after downgrading one level, while other levels will not be downgraded before scoring. The controlling companies determined, based on the scale and contribution, the leadership team of the rail construction company and exploration institute, 3 persons from Jingjian Company (including managerial personnel), 2 persons from Zhikong Company (including managerial personnel), 1 person from other controlling subsidiaries of the Company shall carry out scoring, with reference to professional institute level, for scale under 400 people. The professional institute of which shall be scored after downgrading one level. For personnel holding multiple positions, they shall be scored based on the highest position.

- (b) Titles refer to senior and professor-level senior titles recognized by the PRC. The scoring standard is that the scoring will be carried out based on the highest title, in which professor-level senior title has 7 points, while senior title has 4 points.
- (c) Registration refers to registered professional qualifications corresponding to the titles series of the Company. The scoring standard is that personnel with one or more registered professional qualifications (excluding second level registered professional qualification) has 3 points.

② *Ranking standards of same score:*

Personnel with same scores will be ranked according to the following conditions, and once the ranking based on the previous condition is released, the comparison based on the latter condition will no longer be carried out.

- (a) For calculation of seniority in the Company, personnel with high seniority will rank first;
- (b) For ranking based on the highest title individually owned, personnel with higher title will rank first;
- (c) For ranking based on the subsidy level in the Company for single registered professional qualification, in case of same level, personnel with more registered qualifications will rank first;
- (d) Personnel with provincial level or above personal honor will rank first, and personnel with higher level of honor will rank first;
- (e) For comparison of the term of office of existing highest duty, the term of obtaining the highest title, the term of obtaining high level registered qualification, personnel with longer tenure will rank first.

③ *Employees under special circumstances would be entitled to adjustment upon discussion and decision at the management meeting of the Company.*

- (3) If the employees have more than one direct relatives who currently hold office in the Company and controlling subsidiaries of the Company, only one of them is entitled to hold stock.
- (4) The final number of employees participating in the Scheme and the amount subscribed through position-based method are determined by the actual payment.

Deputy chief engineer of the Company, deputy chief engineer of professional institute and special professional technicians who are entitled be promoted to deputy director position of the Company or assistant professor position of professional institute for holding stock, will be entitled to adjustment upon discussion and decision at the management meeting of the Company.

**3. *In the event of any of the following circumstances, an Employee shall be unqualified to become a Holder of the Scheme:***

- (1) An Employee being publicly condemned or declared as an inappropriate candidate by a stock exchange in the past three years;
- (2) An Employee being charged with administrative penalty by the CSRC for substantial violation of laws and regulations in the past three years;
- (3) An Employee causing severe damage to the Company's interests, reputation and image due to leakage of national or corporate secrets, corruption, theft, misappropriation, bribe-taking, bribe-giving, negligence of duty, malfeasance or other acts in violation of national laws and regulations or conducts in violation of public order, professional morals and ethics in the past three years;
- (4) Leading personnel of state-owned enterprises appointed by municipal party committee, municipal government and the municipal SASAC, supervisors of the Company (including staff representative supervisors), Directors who are not the staff of the Company;
- (5) The Board believes that the Employee should not become the Holder of the Scheme;
- (6) The Employee should not become the Holder of the Scheme as stipulated by relevant laws, regulations or normative documents.

**(III) Sources of Funds**

The source of funds used to subscribe for portions of Employee Stock Ownership Scheme by the Holders of the Scheme were derived from the legitimate remuneration of the Participants and self-financed funds raised in other legitimate manners.

The total number of Domestic Shares corresponding to the portions in the Scheme will be no more than 6% of the current aggregate share capital of the Company, i.e. no more than 76,000,000 Shares. Domestic Shares held by a single Holder shall not be more than 1,000,000 Shares and exceed 0.079% of the current aggregate share capital of the Company. The final number will be subject to the actual number of Domestic Shares subscribed for under the Scheme.

After the Scheme is approved by competent authorities, the Participants shall pay the subscription amount in full according to the notice of the Company. The Participants of the Scheme are required to sign relevant documents as the confirmation of the intention for subscription. For employees who are committed to participating in the program but fail to pay the subscription amount in full according to the time of payment, the right to subscribe for the Scheme will be automatically forfeited.

**(IV) Sources of Shares and way of contribution**

The sources of the Shares to be subscribed for under the Scheme are Domestic Shares under the Non-Public Issuance of the Company (“**Subject Shares**”).

The Company shall not bestow the Subject Shares on employees at nil consideration and shall not breach regulations through conversion of the Subject Shares at a low price. Employees shall not hold equity interests in enterprises in which the Company invested, associated corporations (including business related corporations) and enterprises engaged in the same type of business operation as the Company.

**(V) Share price**

The Employee Stock Ownership Scheme involves the share price of the Domestic Shares under the Non-Public Issuance. The issue price is determined according to the following principles:

After carrying out financial auditing and assets valuation, the issue price shall not be lower than the net asset appraised value per Share as approved and filed.

The final implementation price of the Scheme will be subject to the price approved by the municipal SASAC and general meeting of the Company.

**(VI) Shareholding ratio**

The number of Domestic Shares under the Non-Public Issuance to be subscribed for under the Scheme will be no more than 76,000,000 Shares, i.e. no more than 6% of the current aggregate share capital of the Company.

Domestic Shares held by a single Holder shall not exceed 0.079% of the current aggregate share capital of the Company. If there are changes in the relevant laws, administrative regulations, rules or normative documents in the future, new regulations shall prevail.

After the implementation of the Scheme, if the Company issues 76,000,000 Shares of new Domestic Shares according to the upper limit of Non-Public Issuance of Domestic Shares, the shareholding ratio of BUCG will account for 42.34% of the aggregate share capital of the Company after Non-Public Issuance, and it would still be the controlling Shareholder of the Company.

**(VII) Manner of shareholding**

To implement the Scheme, the Holders will establish a general Partnership Enterprise to hold the Domestic Shares to be issued according to the Scheme. The general partners of the general Partnership Enterprise consist of the Holders of the Scheme. The Partnership Enterprise shall not participate in any operating activities other than the Shares held by the Company.

**(VIII) Profits and losses**

The Holders of the Scheme enjoy the same rights and interests as state-owned Shareholders and other Shareholders, and the profits and losses are shared and borne by the Partnership Enterprise formed by Holders.

In the event of bankruptcy, reorganization and liquidation of the enterprise, the Holders of the Scheme, state-owned Shareholders and other Shareholders should set the limit at the amount of contribution, and jointly accept responsibilities in accordance with the proportion of investment.

**(IX) Circulation and withdrawal**

**1. *Lock-up Period***

The Scheme has lock-up period, which shall be 36 months commencing from the date when the Subject Shares are registered under the name of the Partnership Enterprise established for the Scheme. Employees who hold Shares prior to the listing of the enterprise shall not transfer their Shares during the initial public offering of the enterprise, and shall undertake a lock-up period no less than 36 months commencing from the listing date.

During the lock-up period, the Partnership Enterprise shall not sell or transfer the Subject Shares held by it, while partners of the Partnership Enterprise shall not transfer the equity interests held in an arbitrary manner. Upon the expiration of the lock-up period, the Holders of the Scheme may reduce the Subject Shares according to relevant requirements of securities regulatory departments and stock exchanges. The Directors and senior management of the Company may transfer not more than 25% of the total Shares held by them in the Company each year during their tenure.

**2. *Vesting and disposal of the Scheme portions***

*(1) Conditions of circulation and withdrawal*

- ① If any of the following circumstances occurs to the Holder of the Scheme, the executive partner of the Partnership Enterprise is entitled to designate a qualified personnel to receive the transfer of the equity interests held by him/her, and the transfer shall be completed within 12 months:
  - (a) the Holder of the Scheme resigns voluntarily from the Company;
  - (b) the Holder of the Scheme is dismissed or fired by the Company due to serious negligence, malfeasance, bribery, corruption, theft, leakage of the Company's business secrets, competition, violation of laws, regulations or the Articles of Association of the Company and other acts which will damage the Company's interest, or prohibited to act as directors, supervisors or senior management pursuant to the Company Law;
  - (c) death or declaration of death of the Holder of the Scheme.
- ② Dynamic adjustment and management to the Holders are conducted and regular performance appraisal of the Holders is carried out under the Scheme. The Holder who no longer meets the employee stock ownership standards after being transferred from the original position due to unqualified performance appraisal shall withdraw from the Scheme, and the equity interests held by him/her shall be transferred internally to other qualified employees upon 12 months after his/her transfer.

- ③ In the event of release or termination of the employment relationship between the Holder of the Scheme and the enterprise due to reasons other than the aforesaid (such as retirement, etc.), the equity interests held by him/her shall be transferred internally to other qualified employees upon 12 months after his/her leave.
  - ④ Determination of transfer price
    - (a) The transfer price shall be determined by both parties upon negotiation;
    - (b) If no agreement can be reached, in the event of circumstances such as voluntary resignation from the Company, disengagement or dismissal by the Company, disqualification of the employee stock ownership standards after being transferred from the original position due to unqualified performance appraisal, no renewal of the contract upon expiry, transfer to the competing companies, etc., the transfer price shall be determined according to purchase price of Shares when the Scheme is implemented. In the event of circumstances such as transfer to the Shareholder units, retirement, death, etc., the transfer price shall be determined with reference to the average price of H Shares in 20 trading days before the date of declaration within the lock-up period for initial public offering of enterprise, and shall be executed in compliance with relevant regulations of the CSRC upon the public offering.
  - ⑤ Making a list of outstanding candidates to provide alternatives for Holders who withdraw from the Scheme or unqualified Holders according to the Scheme and the performance appraisal of the Company.
- (2) *Vesting and disposal of the Scheme portions after the expiry of the lock-up period for initial public offering of enterprise*
- ① The Holder of the Scheme shall enjoy the initial portions under the Scheme based on his/her capital contribution. After the expiry of the lock-up period of the Scheme, the Partnership Enterprise may be entrusted for sales of the initial portions of each Scheme Holder which are eligible for vesting, and the corresponding cash assets (if any) will be transferred to the bank account of the Holder of the Scheme.

- ② If no application is proposed by the Holder of the Scheme in accordance with paragraph ① above, the Holder of the Scheme shall be deemed to agree to entrust the Partnership Enterprise to continue to hold the aforementioned Subject Shares during the term of the Scheme.
- ③ After all the Subject Shares corresponding to the Scheme portions as a Scheme Holder is entitled are fully disposed of in accordance with paragraph ① above with proceeds being paid to Scheme Holders in its entirety, the Holder of the Scheme shall withdraw from the Scheme automatically.
- ④ The circulation of Shares upon expiry of the lock-up period under initial public offering of the enterprise shall be executed in accordance with all relevant requirements of securities regulatory departments and stock exchanges.

(3) *Dividends and disposal of Shares upon the expiry of the term of the Scheme*

- ① During the term of the Scheme, the cash dividends attributable to Shares of the Company held by the Scheme shall belong to the Scheme. Such cash dividends attributable to those Shares that have been allocated to Participants, will firstly be applied to pay any necessary expenses of the Scheme, after which the remaining amounts will be used to increase the amount of cash assets corresponding to the Scheme portions of each of the Holders of the Scheme based on their initial portions.
- ② The liquidation of the Scheme shall be completed within 30 business days after the termination of the Scheme. Liquidated assets shall be allocated to the Holders of the Scheme pro rata to their Scheme portions after deduction of relevant expenses.

**(X) Valid term of the Scheme**

The valid term of the Scheme shall be 36 months upon expiry of the lock-up period of the Scheme, commencing from the date when the Subject Shares are registered under the names of the Partnership Enterprise of the Scheme.



If the sale of the Subject Shares is restricted by relevant laws, regulations and regulatory documents, which leads to the failure of the Subject Shares to be fully cashed before the expiration of the valid term, the valid term of the Employee Stock Ownership Scheme can be extended accordingly. If the valid term needs to be extended due to other circumstances, the extension shall be determined by the Holders' meeting.

**(XI) Daily equity management**

**1. *Equity management***

The internal management authority of the Scheme shall be the partners' meeting. The partners' meeting shall be comprised of all Holders of the Key Employee Stock Ownership Scheme. A management committee shall be established for the Key Employee Stock Ownership Scheme. The management committee shall exercise the rights entitled by the Shares of the Company held in the Key Employee Stock Ownership Scheme on behalf of all Holders, and shall perform daily management duties of the Scheme in accordance with the Holders' authorization. The Board of the Company shall formulate and amend the Scheme, and handle other relevant matters of the Scheme within the terms of reference authorized by the general meeting and the partners' meeting.

**2. *Matters authorized by the general meeting***

The general meeting shall authorize the Board, and the Board will then delegate the authority to the executive Director(s) or person designated by such Director(s) to deal with matters in relation to the Scheme. Such authorization includes:

- (1) to authorize the Board to implement the Scheme by way of Non-Public Issuance of Domestic Shares;
- (2) to authorize the Board to deal with the modification and termination of the Scheme, including but not limited to the cancellation of eligibility of Scheme Holders in accordance with the agreement of the Scheme and prior termination of the Scheme;
- (3) to authorize the Board to determine the extension of valid term of the Scheme;

- (4) upon consideration and approval of the Scheme by the general meeting, in the event of changes to the relevant laws, regulations and policies during the implementation period, to authorize the Board to make corresponding adjustments to the Scheme in accordance with new policies;
- (5) to authorize the Board to handle all matters in relation to lock-up and unlock of acquired Shares under the Scheme;
- (6) to authorize the Board to determine the detailed subscription standard for target Participants under the Scheme;
- (7) to authorize the Board to handle all matters in relation to establishing the Partnership Enterprise;
- (8) to authorize the Board to sign, execute, amend and terminate any agreement in relation to the Domestic Shares under Non-Public Issuance and the Scheme and other relevant agreements;
- (9) to authorize the Board to handle all matters in relation to the Non-Public Issuance of Domestic Shares, including but not limited to handle the registration of the Non-Public Issuance of Domestic Shares in China Securities Depository and Clearing Corporation Limited; to propose amendment to the relevant provisions of the Articles of Association and handle matters such as change in business registration according to the actual issuance results;
- (10) to authorize the Board to handle other necessary matters needed for the Scheme, except for those documents explicitly requiring the rights to be exercised by the general meeting;
- (11) expiry term: the term authorized to the Board shall be consistent with the valid period of the Scheme.

**(XII) Procedures for implementing the Employee Stock Ownership Scheme**

1. The Company formulates the Key Employee Stock Ownership Scheme (Draft).
2. The Company seeks for opinions of the senior management and employees on the Key Employee Stock Ownership Scheme (Draft).

3. The Company fully solicits the opinions of employees at the meeting of representatives of employees.
4. The Board of the Company considers the Key Employee Stock Ownership Scheme (Draft), and external Directors give independent opinions on whether the Scheme is conducive to the Company's sustainable development, whether the Scheme will cause damage to the interests of the Company and all Shareholders, and whether apportionment, mandatory distribution and other methods are used by the Company to force employees to participate in the Scheme.
5. The board of supervisors of the Company are responsible for issuing opinions on whether the Scheme is conducive to the Company's sustainable development, whether the Scheme will cause damage to the interests of the Company and all Shareholders, and whether apportionment, mandatory distribution and other methods are used by the Company to force employees to participate in the Scheme.
6. The Company appoints a law firm to issue legal opinions on whether the Scheme and its relevant matters are in compliance with laws and regulations, and whether necessary decision-making and approval procedures have been carried out, etc.
7. The Board of the Company discloses the resolutions of the Board and other relevant documents in an announcement upon consideration and approval of the Key Employee Stock Ownership Scheme (Draft).
8. The Company seeks for approval by the state-owned assets supervision and administration department on the implementation of the Scheme.
9. The Company issues a notice on convening of the general meeting and makes an announcement on the Scheme.
10. The Company convenes the general meeting for consideration of the Key Employee Stock Ownership Scheme (Draft).
11. The Company implements the Key Employee Stock Ownership Scheme and performs relevant information disclosure obligations upon consideration and approval by the general meeting of the Company and approval by relevant competent authorities of the PRC.

**(XIII) Others**

1. Upon official approval of the Scheme, in the event of major adjustments in the process of implementation of the Scheme arising from trading in the market, such adjustments shall be in compliance with the Opinion on Commencement of Pilot Employee Stock Ownership by Stated-owned Holding Mixed Ownership Enterprises (Guo Zi Fa Gai Ge [2016] No. 133) (《關於國有控股混合所有制企業開展員工持股試點的意見》(國資發改革[2016]133號)), the Implementation Opinion of Beijing Municipal People's Government on Development of Mixed Ownership Economy by Municipal State-owned Enterprises (Jing Zheng Fa [2016] No. 38) (《北京市人民政府關於市屬國有企業發展混合所有制經濟的實施意見》(京政發[2016]38號)), the Implementation Measures on Commencement of Pilot Employee Stock Ownership by Municipal State-owned Holding Mixed Ownership Enterprises (Jing Guo Zi Fa [2016] No. 21) (《關於市屬國有控股混合所有制企業開展員工持股試點的實施辦法》(京國資發[2016]21號)) and requirements of relevant laws and regulations.
2. The Company shall implement the financial, accounting treatment, taxation and other matters of the Scheme in accordance with relevant requirements of the financial system, accounting standards and taxation system.
3. Consideration and approval of the Scheme by the Board and the general meeting does not constitute a commitment of employment for a fixed term by the Company or subsidiaries of the Company.
4. The power of interpretation of the Scheme is vested in the Board of the Company.

**IV. SHAREHOLDING STRUCTURE OF THE COMPANY, CORPORATE GOVERNANCE STRUCTURE AND THE IMPACT ON THE CONTROLLING RIGHTS OF THE COMPANY AFTER HOLDING OF SHARES BY EMPLOYEE STOCK OWNERSHIP**

The Share acquisition under the Scheme adopted private placement of Domestic Shares. The number of private placement is in conformity with the relevant requirements of national policies and in compliance with policies on and relevant requirements of mixed-ownership reform of state-owned enterprises and has registered with China Securities Depository and Clearing Corporation Limited.

Upon implementation of the Scheme, in the event that the Company issues 76 million new Domestic Shares in accordance with the maximum amount of Non-Public Issuance of Domestic Shares, the shareholding ratio of Beijing Urban Construction Group shall account for 42.34% of the total share capital of the Company following the Non-Public Issuance, and it will still be the controlling Shareholder of the Company. The Scheme has no impact on both the corporate governance structure and the controlling rights of the Company.

**V. OPERATING PROCEDURES OF EMPLOYEE STOCK OWNERSHIP AND ARRANGEMENT FOR RELEVANT FINANCIAL AUDIT, ASSETS VALUATION AND OTHER SIGNIFICANT MATTERS**

The Company intends to establish a Partnership Enterprise designated for the Scheme to hold the Subject Shares of the Scheme, and register and record information including personal interests of the Holders of the Scheme.

The Company engages qualified certified public accountants firm every year to audit the financial statements of the Company and its subsidiaries regularly and issue audit reports. The price of the placement, under assets valuation carried out by qualified valuation institutions, is not less than the appraised net asset value per Share as approved or filed, and is determined according to relevant procedures upon approval by the state-owned assets administration department.

**VI. RISK VALUATION ON AND CORRESPONDING PROPOSALS FOR EMPLOYEE STOCK OWNERSHIP**

The major risks of implementing the Scheme are expected to be:

**1. The recognition and acceptance of the stock ownership scheme and capital market risks by the employees holding the stock**

In the light of the above risks, through strengthening the promotion and explanation on the purposes, meaning and contents of the plan for implementation of the stock ownership scheme, the Company carries out comprehensive promotion of education on capital market risks and puts emphasis on the principle of voluntary participation and self-bearing of risks, making every Employee engaged in the Scheme have adequate understanding in the plan of the Scheme and have adequate recognition on the capital market risks.

**2. Stability of employees not engaged in the stock ownership scheme**

The Scheme shall be carried out in strict compliance with the procedures stipulated in the documents issued by the SASAC to ensure the openness and transparency of Employee stock ownership and subsequent procedures shall be conducted upon listening to extensive opinion from staff of the enterprise on Employee stock ownership via Employee (representative) meetings and other means, and adjust, supplement and improve the Employee stock ownership scheme on an ongoing basis. Under proper guidance, staff has a correct understanding on the stock ownership scheme, which ensures effective mechanism for implementing the Scheme, stimulates cohesion between employees and the Company, and accelerates the growth and development of employees.

**NON-PUBLIC ISSUANCE**

In order to promote development of the Company, to establish a long-term incentive-based and restraint mechanism enabling the employees and Shareholders to share their interests, risks and responsibilities as well as setting up businesses together, to maintain the stability of our team of key talents, and to strengthen the unity among employees and increase the competitiveness of the Company, to further optimize the shareholding structure and the governance mechanism, the Company proposed to implement the Employee Stock Ownership Scheme by way of private placement of Domestic Shares of the Company.

**1. METHOD OF ISSUANCE, TYPE AND NOMINAL VALUE OF SHARES**

The issuance adopts Non-Public Issuance of Domestic Shares with nominal value of RMB1.00 per Share.

**2. SUBSCRIBER**

The issuance target and subscriber of the Non-Public Issuance of Domestic Shares is a Partnership Enterprise established in accordance with PRC laws, consisting of key employees serving at key positions and exerting direct or greater influence on the operating results and sustainable development of the Company, particularly including the Directors of the Company (excluding the directors not being Employee of the Company), senior management personnel, research and scientific personnel, operational management personnel and other business calibers.

**3. NUMBER OF THE SHARES TO BE ISSUED**

The total number of the Shares under the Non-Public Issuance shall not exceed 6.00% of the current total share capital of the Company (i.e. not more than 76 million Domestic Shares) and the ultimate number shall be subject to the actual subscription amount of the Scheme.

**4. PRICING METHOD**

The price of the Non-Public Issuance of Domestic Shares (hereinafter as “**Subject Shares**”) shall not be lower than the appraised net asset value per Share as approved or filed, and the final implementation price shall be subject to the price approved by the Beijing SASAC, the general meeting and the class meeting of the Company.

**5. LOCK-UP PERIOD**

The lock-up period shall be 36 months, commencing from the date when the Subject Shares are registered under the name of the Partnership Enterprise established for the Scheme. Subject Shares held prior to the listing of the Company shall not be transferred at the time of the initial public offering of A Shares and listing of the Company, and the Holders shall undertake a lock-up period of not less than 36 months from the date of the initial public offering of A Shares and listing of the Company. During the lock-up period, the Partnership Enterprise shall not sell or transfer the Subject Shares held by it, while partners of the Partnership Enterprise shall not transfer the equity interests held in an arbitrary manner.

Upon the expiration of the lock-up period, the Holders of the Scheme may reduce the Subject Shares held by them according to relevant requirements of securities regulatory departments and stock exchanges. The directors and senior management of the Company may transfer the Subject Shares not more than 25% of the total Shares held by them each year during their tenure.

**6. VALIDITY PERIOD**

Validity period shall be 12 months from the date when the resolutions in relation to the Non-Public Issuance of Domestic Shares were considered and approved by the general meeting and class meeting.

The Non-Public Issuance of Domestic Shares shall be subject to the consideration and approval by the general meeting and class meeting of the Company and the implementation shall be subject to the approval by the relevant competent authority of the PRC.



## 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 Shares <sup>5</sup>	Approximate percentage of total issued Shares <sup>6</sup>
Beijing Urban Construction Group Co., Ltd. <sup>1</sup>	Beneficial owner	571,031,118	Long position	64.54%	44.87%
Beijing Infrastructure Investment Co., Ltd. <sup>2</sup>	Beneficial owner	87,850,942	Long position	9.93%	6.90%
Beijing Jingguofa Equity Investment Fund (Limited Partnership) <sup>3</sup>	Beneficial owner	46,000,000	Long position	5.20%	3.61%
Tianjin Jun Rui Qi Equity Investment Partnership (LLP) <sup>4</sup>	Beneficial owner	46,000,000	Long position	5.20%	3.61%

*Notes:*

1. Beijing Urban Construction Group Co., Ltd. is incorporated by the Beijing Municipal Government.
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 Taihang Heyi 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 entities above 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 Legend Capital Co., Ltd. Beijing Junqijiarui Enterprise Management Co., Ltd. holds 45.00% equity interest in Legend Capital Co., Ltd. Each of the entities above was deemed to have interests in the same number of Shares as Tianjin Jun Rui Qi Equity Investment Partnership (LLP).
5. As at the Latest Practicable Date, the number of total Domestic Shares is 884,733,000.
6. As at the Latest Practicable Date, the number of total issued Shares is 1,272,670,000.

***H Shares***

Name of Shareholder	Capacity	Number of H Shares	Nature of interests	Approximate percentage of total issued H Shares <sup>5</sup>	Approximate percentage of total issued Shares <sup>6</sup>
Beijing Capital Group Ltd.	Interest of controlled corporations <sup>1</sup>	73,493,000	Long position	18.94%	5.77%
Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司) <sup>2</sup>	Interest of controlled corporations	68,222,000	Long Position	17.59%	5.36%
Beijing Infrastructure Investment (Hong Kong) Limited 京投(香港)有限公司 <sup>2</sup>	Beneficial Owner	68,222,000	Long Position	17.59%	5.36%
Pioneer Investment Management Limited	Investment Manager	54,922,000	Long position	14.16%	4.32%

Name of Shareholder	Capacity	Number of H Shares	Nature of interests	Approximate percentage of total issued H Shares <sup>5</sup>	Approximate percentage of total issued Shares <sup>6</sup>
Pioneer Asset Management S.A.	Investment Manager	52,777,000	Long position	13.60%	4.15%
FMR LLC	Interest of controlled corporations <sup>3</sup>	22,867,000	Long position	5.89%	1.80%
CRRC Group	Interest of controlled corporations <sup>4</sup>	26,222,000	Long position	6.76%	2.06%
Fidelity Investment Trust	Beneficial Owner	25,291,000	Long position	6.52%	1.99%

*Notes:*

- As at the Latest Practicable Date, Beijing Capital Group Ltd. indirectly held interests in 56,222,000 H Shares of the Company through a number of its controlled corporations, including Beijing Capital Land Ltd. and its controlled corporation, and also held interests in 17,271,000 H Shares through Beijing Capital Co., Ltd. and Beijing Capital (Hong Kong) Limited. According to the information relating to disclosure of interests available on the website of the Hong Kong Stock Exchange, as of the Latest Practicable Date, Beijing Capital Group Ltd. and its controlled corporations ceased to hold interests in H Shares of the Company.
- According to the information relating to disclosure of interests available on the website of the Hong Kong Stock Exchange, as of the Latest Practicable Date, Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司) held 68,222,000 H Shares through its controlled corporation, Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司).
- FMR LLC held interests in 14,062,000 H Shares, 134,000 H Shares, 4,708,000 H Shares and 3,963,000 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 (formerly known as PYRAMIS GLOBAL ADVISORS TRUST COMPANY) and FIAM LLC (formerly known as PYRAMIS GLOBAL ADVISORS, LLC), respectively.
- CRRC Group (formerly known as CSR Group Limited) held interests in 26,222,000 H Shares through its controlled corporations, CRRC Corporation Limited (formerly known as CSR Corporation Limited) and CRRC (Hong Kong) Co., Ltd. (formerly known as CSR (Hong Kong) Co. Ltd).
- As at the Latest Practicable Date, the number of total issued H Shares is 387,937,000.
- As at the Latest Practicable Date, the number of total issued Shares is 1,272,670,000.
- According to the information relating to disclosure of interests available on the website of the Hong Kong Stock Exchange, Beijing Enterprises Group Company Limited was still shown as a substantial shareholder of the Company as at the Latest Practicable Date. To the best of knowledge of the Directors, Beijing Enterprises Group Company Limited is no longer a substantial shareholder of the Company and accordingly it is not shown as a substantial shareholder in the table above.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person (other than the Directors, Supervisors or the chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO.

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

As at the Latest Practicable Date, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code, were as follows:

Name	Position	Nature of interests	Class of Shares	Number of Shares (Share)	Approximate percentage of total issued H Shares (%)	Approximate percentage of total issued Shares (%)
Wang Liping	Chairman and non-executive Director	Personal interest	H Shares	52,000	0.013	0.004
Wang Hanjun	Executive Director and the general manager	Personal interest	H Shares	48,000	0.012	0.004
Li Guoqing	Executive Director	Personal interest	H Shares	48,000	0.012	0.004

Save as disclosed above, as at the Latest Practicable Date, none of the other Directors and Supervisors had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company (including their spouses or children under the age of 18) were authorized by the Company any rights to subscribe for the shares or debentures of the Company or any associated corporations.

**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 2016, 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 2016, 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 of the Company 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:

<b>Name of the Director/supervisor</b>	<b>Position in the specific company</b>
Ms. Guo Yanhong	General manager of BUCG
Ms. Wang Liping	Deputy general manager of BUCG
Mr. Tang Shuchang	Assistant to the general manager of BUCG
Mr. Guan Jifa	Deputy general manager of Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司)
Mr. Yuan Guoyue	Head of the sales and marketing department of BUCG
Ms. Nie Kun	Supervisor of BUCG
Mr. Chen Rui	Executive director of Beijing Legend Capital Co., Ltd. (北京君聯資本管理有限公司)

**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:

<b>Name</b>	<b>Qualification</b>
Zhaobangji	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, Zhaobangji 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, Zhaobangji:

- (a) did not have any direct or indirect interest in any assets which have been, since 31 December 2016, 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 Clifford Chance at 27 Floor, Jardine House, 1 Connaught Place, Hong Kong during normal business hours on any business days from the date of this circular up to and including 26 December 2017:

- (a) the Articles of Association;
- (b) the letter from the Independent Board Committee set out in this circular;
- (c) the letter from Zhaobangji set out in this circular; and
- (d) the written consent of Zhaobangji 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)

**NOTICE OF  
THE 2017 SECOND EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the 2017 Second Extraordinary General Meeting (the “**EGM**”) of Beijing Urban Construction Design & Development Group Co., Limited (the “**Company**”) will be held at 501, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 9:30 a.m. on Tuesday, 26 December 2017, to consider and, if thought fit, approve the following resolutions (unless otherwise stated, the terms used herein shall have the same meanings as defined in the announcement of the Company dated 25 July 2017) (“**July Announcement**”):

**SPECIAL RESOLUTIONS**

1. “**THAT**

- (a) the proposed Key Employee Stock Ownership Scheme (“**KESOS**”) as set out in the July Announcement and the establishment of the general partnership enterprise to hold the domestic shares under the Non-Public Issuance be and are hereby approved;
- (b) the details of the Non-Public Issuance as set out in the July Announcement be and are hereby approved:
  - i. method of issuance, class and nominal value of the shares to be issued
  - ii. subscriber
  - iii. number of shares to be issued
  - iv. price determination method
  - v. lock-up period
  - vi. validity period of the resolutions

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## NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING IN 2017

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- (c) the subscription of portions of the Key Employee Stock Ownership Scheme (“**KESOS Portions**”) by connected persons of the Company (the “**Connected Participant**”) in the manner described under the section headed “Connected Subscription” in the circular of the Company (the “**Connected Subscription**”), including but not limited to the allotment and issue of not more than 76,000,000 Domestic Shares (subject to the final number of KESOS Portions (and therefore the corresponding Domestic Shares) subscribed by the Connected Participants) to the Partnership Enterprise for the purposes of the Connected Subscriptions, and the transactions contemplated thereunder be and is hereby approved;
- (d) any executive director(s) of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to implement and/or effect the transactions contemplated by the Key Employee Stock Ownership Scheme, the Partnership Enterprise Agreement, the Non-Public Issuance, the Connected Subscriptions and the amendment, variation or modification of the terms and conditions of the Key Employee Stock Ownership Scheme, the Partnership Enterprise Agreement, the Non-Public Issuance and the Connected Subscriptions on such terms and conditions as any executive director(s) of the Company may think fit.”

### 2. “**THAT**

to authorise the Board, and the Board will then delegate the authority to the executive director(s) or person designated by such director(s) to deal with matters in connection with KESOS. Such authorisation includes:

- (1) to authorise the Board to implement the KESOS by the way of Non-Public Issuance of Domestic Shares;
- (2) to authorise the Board to deal with change and termination of the KESOS, including but not limited to cancel the qualification of plan holder as agreed in this plan and early termination of the KESOS;
- (3) to authorise the Board to decide on the extension of the KESOS’s duration;
- (4) upon the consideration and approval of the KESOS by the general meeting, in the event of changes to the relevant laws, regulations and policies during the implementation period, to authorise the Board to make corresponding adjustments to the KESOS in accordance with the new policies;
- (5) to authorise the Board to handle all matters in relation to lock-up and unlock of acquired shares under the KESOS;

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## NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING IN 2017

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- (6) to authorise the Board to determine the detailed subscription standard for target Participants under the KESOS;
- (7) to authorise the Board to handle all matters in relation to establishing the partnership;
- (8) to authorise the Board to sign, execute, amend and terminate any agreement in relation to the domestic shares under Non-Public Issuance and the KESOS;
- (9) to authorise the Board to handle all the matters in relation to the Non-Public Issuance of domestic shares, including but not limited to handling the registration of the Non-Public Issuance of domestic shares in China Securities Depository and Clearing Co., Ltd.; to propose amendment to the relevant provisions of the Articles of Association and handle matters such as change in business registration according to the actual issuance results;
- (10) to authorise the Board to handle other necessary matters needed for KESOS, except for those documents explicitly requiring the rights to be exercised by the general meeting;
- (11) expiry term: the term authorized to the Board shall be consistent with the valid period of KESOS.”

By order of the Board

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

**Wang Liping**

*Chairman*

Beijing, 11 November 2017

*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, Guo Yanhong, Guan Jifa, Su Bin, Yan Lianyuan and Tang Shuchang; and the independent non-executive directors of the Company are Zhang Fengchao, Wang Dexing, Yim Fung, Sun Maozhu and Liang Qinghuai.*

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## NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING IN 2017

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*Notes:*

1. Details of the above resolution are set out in the Circular.
2. The register of members of the Company will be closed from Sunday, 26 November 2017 to Tuesday, 26 December 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, 26 December 2017 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 Friday, 24 November 2017 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 501, 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 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.
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 Wednesday, 6 December 2017 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 Wednesday, 6 December 2017 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).

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## NOTICE OF H SHARES CLASS MEETING IN 2017

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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)**

### NOTICE OF H SHARES CLASS MEETING

**NOTICE IS HEREBY GIVEN** that a class meeting of the holders of H shares (the “**H Shares Class Meeting**”) of Beijing Urban Construction Design & Development Group Co., Limited (the “**Company**”) will be held at 501, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 10:00 a.m. on Tuesday, 26 December 2017, to consider and, if thought fit, approve the following resolutions (unless otherwise stated, the terms used herein shall have the same meanings as defined in the announcement of the Company dated 25 July 2017 (“**July Announcement**”)):

#### SPECIAL RESOLUTIONS

1. “**THAT**

- (a) the proposed Key Employee Stock Ownership Scheme (“**KESOS**”) as set out in the July Announcement and the establishment of the general partnership enterprise to hold the domestic shares under the Non-Public Issuance be and are hereby approved;
- (b) the details of the Non-Public Issuance as set out in the July Announcement be and are hereby approved:
  - i. method of issuance, class and nominal value of the shares to be issued
  - ii. subscriber
  - iii. number of shares to be issued
  - iv. price determination method
  - v. lock-up period
  - vi. validity period of the resolutions

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## NOTICE OF H SHARES CLASS MEETING IN 2017

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- (c) the subscription of portions of the Key Employee Stock Ownership Scheme (“**KESOS Portions**”) by connected persons of the Company (the “**Connected Participant**”) in the manner described under the section headed “Connected Subscription” in the circular of the Company (the “**Connected Subscription**”), including but not limited to the allotment and issue of not more than 76,000,000 Domestic Shares (subject to the final number of KESOS Portions (and therefore the corresponding Domestic Shares) subscribed by the Connected Participants) to the Partnership Enterprise for the purposes of the Connected Subscriptions, and the transactions contemplated thereunder be and is hereby approved;
- (d) any executive director(s) of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to implement and/or effect the transactions contemplated by the Key Employee Stock Ownership Scheme, the Partnership Enterprise Agreement, the Non-Public Issuance, the Connected Subscriptions and the amendment, variation or modification of the terms and conditions of the Key Employee Stock Ownership Scheme, the Partnership Enterprise Agreement, the Non-Public Issuance and the Connected Subscriptions on such terms and conditions as any executive director(s) of the Company may think fit.”

### 2. “**THAT**

to authorise the Board, and the Board will then delegate the authority to the executive director(s) or person designated by such director(s) to deal with matters in connection with KESOS. Such authorisation includes:

- (1) to authorise the Board to implement the KESOS by the way of Non-Public Issuance of Domestic Shares;
- (2) to authorise the Board to deal with change and termination of the KESOS, including but not limited to cancel the qualification of plan holder as agreed in this plan and early termination of the KESOS;
- (3) to authorise the Board to decide on the extension of the KESOS’s duration;
- (4) upon the consideration and approval of the KESOS by the general meeting, in the event of changes to the relevant laws, regulations and policies during the implementation period, to authorise the Board to make corresponding adjustments to the KESOS in accordance with the new policies;
- (5) to authorise the Board to handle all matters in relation to lock-up and unlock of acquired shares under the KESOS;

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## NOTICE OF H SHARES CLASS MEETING IN 2017

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- (6) to authorise the Board to determine the detailed subscription standard for target Participants under the KESOS;
- (7) to authorise the Board to handle all matters in relation to establishing the partnership;
- (8) to authorise the Board to sign, execute, amend and terminate any agreement in relation to the domestic shares under Non-Public Issuance and the KESOS;
- (9) to authorise the Board to handle all the matters in relation to the Non-Public Issuance of domestic shares, including but not limited to handling the registration of the Non-Public Issuance of domestic shares in China Securities Depository and Clearing Co., Ltd.; to propose amendment to the relevant provisions of the Articles of Association and handle matters such as change in business registration according to the actual issuance results;
- (10) to authorise the Board to handle other necessary matters needed for KESOS, except for those documents explicitly requiring the rights to be exercised by the general meeting;
- (11) expiry term: the term authorized to the Board shall be consistent with the valid period of KESOS.”

By order of the Board

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

**Wang Liping**

*Chairman*

Beijing, 11 November 2017

*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, Guo Yanhong, Guan Jifa, Su Bin, Yan Lianyuan and Tang Shuchang; and the independent non-executive directors of the Company are Zhang Fengchao, Wang Dexing, Yim Fung, Sun Maozhu and Liang Qinghuai.*

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## NOTICE OF H SHARES CLASS MEETING IN 2017

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*Notes:*

1. Details of the above resolution are set out in the Circular.
2. The register of members of the Company will be closed from Sunday, 26 November 2017 to Tuesday, 26 December 2017, both days inclusive, during which period no transfer of Shares will be registered. Holders of H Shares whose names appeared on the register of members of the Company as at Tuesday, 26 December 2017 shall be entitled to attend and vote at the H Shares Class Meeting. Holders of H Shares of the Company who intend to attend and vote at the H Shares Class Meeting 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 Friday, 24 November 2017 for registration.
3. A Holder of H Shares entitled to attend and vote at the H Shares Class Meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not be a Holder of H Shares but must attend the H Shares Class Meeting 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 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 H Shares Class Meeting (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 H Shares Class Meeting (or any adjournment thereof). If no direction is given, the proxy will be entitled to vote or abstain as he or she thinks fit.
6. Holders of H Shares who intend to attend the H Shares Class Meeting 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 Wednesday, 6 December 2017 in hand, by post or by fax.
7. The H Shares Class Meeting is estimated to last for less than half a day. Shareholders or their proxies who attend the H Shares Class Meeting (or any adjournment thereof) shall bear their own travelling and accommodation expenses. Shareholders or their proxies shall produce their identity documents when attending the H Shares Class Meeting (or any adjournment thereof).