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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 revised proxy form for the extraordinary general meeting to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

Beijing Urban Construction Design & Development Group Co., Limited

北京城建设计发展集团股份有限公司

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

(Stock Code: 1599)

(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
(2) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND
INDEPENDENT NON-EXECUTIVE DIRECTOR
(3) PROPOSED APPOINTMENT OF SUPERVISORS
AND
(4) REVISED NOTICE OF THE 2019 SECOND EXTRAORDINARY
GENERAL MEETING

*Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders in relation to the Integrated Services Framework Agreement
proposed to be renewed and the transactions contemplated thereunder*

VEDA | CAPITAL
智 略 資 本

The EGM of the Company is to be held at the Conference Room 501, 5/F, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 2:30 p.m. on Monday, 30 December 2019. The letter from the Board is set out on pages 1 to 25 of this circular. A revised notice convening the EGM is set out on pages 61 to 63 of this circular.

A letter from the Independent Board Committee containing their advice and recommendation to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from Veda Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 53 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the revised proxy form in accordance with the instructions printed thereon as soon as possible. For holders of H Shares, the revised 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 revised proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish.

13 December 2019

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company as amended, modified or supplemented from time to time
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限公司), the controlling shareholder of the Company holding 42.34% interest in the Company and a wholly state-owned enterprise under the Beijing Municipal People’s Government
“Company”	Beijing Urban Construction Design and 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)
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“Director(s)”	the 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 Share(s)

DEFINITIONS

“EGM”	the 2019 Second Extraordinary General Meeting of the Company to be convened on Monday, 30 December 2019 to consider and, if thought fit, approve the resolutions in relation to (1) the renewal of the Integrated Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022; (2) the proposed appointment of Mr. Pei Hongwei as non-executive Director; (3) the proposed appointment of Mr. Ma Xufei as independent non-executive Director; (4) the proposed appointment of Mr. Hu Shengjie as Supervisor; and (5) the proposed appointment of Mr. Liang Wangnan as Supervisor
“EPC”	engineering, procurement, and construction
“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)”	holders of H Shares
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Wang Dexing, Dr. Yim Fung, Mr. Sun Maozhu, Mr. Liang Qinghuai and Mr. Qin Guisheng, which was established to advise the Independent Shareholders in relation to the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022

DEFINITIONS

“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the three financial years ending 31 December 2022
“Independent Shareholders”	Shareholders other than those required by the Listing Rules to abstain from voting at the EGM on the resolution in relation to the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder
“Integrated Services Framework Agreement”	the integrated services framework agreement entered into between the Company and BUCG on 8 November 2019, with an effective term of three years commencing from 1 January 2020 and expiring on 31 December 2022
“Latest Practicable Date”	10 December 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Non-competition Agreement”	the non-competition agreement entered into by BUCG and the Company on 24 January 2014, as successively amended by the Supplemental Agreement I to the Non-competition Agreement signed by the parties on 16 June 2014 and the Supplemental Agreement II to the Non-competition Agreement signed by the parties on 29 October 2015
“PPP”	“Public-Private-Partnership” mode

DEFINITIONS

“PRC” or “China”	the People’s Republic of China which, for the purpose of this circular only, shall exclude Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	H Share(s) and Domestic Share(s) of the Company
“Shareholder(s)”	holders of the Shares of the Company
“Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement”	According to the requirements of the Clause 3.8 under the Supplemental Agreement II to the Non-competition Agreement, Situation (2) refers to where the Company is limited from bidding for a engineering construction project as the Company provided design and consultancy service for preliminary works or supervision of such engineering construction project; Situation (3) refers to where the Company fails to individually satisfy the tendering conditions on the net assets, total assets, unit level and/or qualification level of the bidder due to special requirements set out in the tendering conditions for a project
“subsidiary(ies)”	shall have the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supplemental Agreement I to the Non-competition Agreement”	the supplemental agreement entered into by BUCG and the Company on 16 June 2014 to amend the non-competition agreement entered into by BUCG and the Company on 24 January 2014
“Supplemental Agreement II to the Non-competition Agreement”	the second supplemental agreement entered into between BUCG and the Company on 29 October 2015 to amend the Non-competition Agreement, which was entered into by BUCG and the Company on 24 January 2014 as amended by the first supplemental agreement on 16 June 2014

LETTER FROM THE BOARD



北京城建设计发展集团股份有限公司

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

Beijing Urban Construction Design & Development Group Co., Limited

北京城建设计发展集团股份有限公司

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

(Stock Code: 1599)

Members of the Board:

Executive Directors:

Wang Hanjun

Li Guoqing

Non-executive Directors:

Shi Yubin (*Chairman*)

Tang Shuchang

Wu Donghui

Guan Jifa

Ren Yuhang

Su Bin

Yu Xiaojun

Ren Chong

Registered office:

5 Fuchengmen North Street

Xicheng District

Beijing

PRC

Principal place of business in

Hong Kong:

40th Floor, Sunlight Tower

No. 248 Queen's Road East

Wanchai

Hong Kong

Independent non-executive Directors:

Wang Dexing

Yim Fung

Sun Maozhu

Liang Qinghuai

Qin Guisheng

13 December 2019

To the Shareholders:

Dear Sir or Madam,

- (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**
(2) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND
INDEPENDENT NON-EXECUTIVE DIRECTOR
(3) PROPOSED APPOINTMENT OF SUPERVISORS
AND
(4) REVISED NOTICE OF THE 2019 SECOND EXTRAORDINARY
GENERAL MEETING

LETTER FROM THE BOARD

I. INTRODUCTION

On behalf of the Board, I invite you to attend the EGM to be held at Conference Room 501, 5/F, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 2:30 p.m. on Monday, 30 December 2019.

References are made to the announcements of the Company dated 19 July 2019 and 5 December 2019 in relation to resignation of Directors and Supervisors, the announcement of the Company dated 31 July 2019 in relation to proposed appointment of independent non-executive Director and Supervisor, and the announcement of the Company dated 8 November 2019, in relation to, among others, the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022.

The purpose of this circular is to provide you with, among other things:

- (a) details on the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022;
- (b) details on the proposed appointment of Mr. Pei Hongwei as non-executive Director;
- (c) details on the proposed appointment of Mr. Ma Xufei as independent non-executive Director;
- (d) details on the proposed appointment of Mr. Hu Shengjie as Supervisor;
- (e) details on the proposed appointment of Mr. Liang Wangnan as Supervisor;
- (f) a letter from the Independent Board Committee which sets out the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions, for both revenue and expenditure, contemplated thereunder for the three financial years ending 31 December 2022;
- (g) a letter from Veda Capital, which sets out the advice and recommendation of Veda Capital to the Independent Board Committee and Independent Shareholders in relation to the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022; and
- (h) revised notice of the EGM.

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

LETTER FROM THE BOARD

II. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS: THE INTEGRATED SERVICES FRAMEWORK AGREEMENT

1. The Proposed Renewal of the Integrated Services Framework Agreement

As the Integrated Services Framework Agreement as well as the annual caps for the continuing connected transactions contemplated thereunder will expire on 31 December 2019, the Company has, on 8 November 2019, renewed the Integrated Services Framework Agreement with BUCG for a further term of three years commencing from 1 January 2020 and ending on 31 December 2022 on the same terms and conditions, the principal terms of which are summarized as follows:

Parties	The Company BUCG
Term of the Agreement	For a term of three years from 1 January 2020 to 31 December 2022
Principal Terms and Conditions	<p>Pursuant to the Integrated Services Framework Agreement proposed to be renewed:</p> <ul style="list-style-type: none">(a) The integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group include but not limited to engineering construction related services, including but not limited to provision of labour engaged in basic physical work of engineering project, supply of raw materials for engineering construction, construction machinery equipment leasing; and training services and other services required by the Group to carry out its business.(b) The integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates include but not limited to: (i) services relating to construction survey, design and consultancy, including but not limited to measurement, test, inspection of construction drawings, as well as training services and other services required by BUCG, its subsidiaries and/or associates to carry out their businesses; and (ii) project sub-contracting and/or specialised services, including but not limited to project management and equipment leasing services, etc., pursuant to Situations (2) and (3)^{Note} of the Supplemental Agreement II to the Non-competition Agreement.(c) The parties agree that the transaction shall be consummated in line with the applicable general market practice (if any) and on normal commercial terms.

Note: As the Company is restricted from bidding for certain projects relating to its core businesses under Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement, for the Company's benefits, BUCG, which meets the bidding requirements, agreed to leverage its strength to bid for a project or jointly bid for a project with the Company, and then subcontract part or parts of the awarded project to the Group according to Clause 3.8 of the Supplemental Agreement II to the Non-competition Agreement. For details, please refer to the announcement dated 29 October 2015 and the circular dated 11 December 2015 of the Company.

LETTER FROM THE BOARD

- (d) The parties are entitled to choose the counterparty of the transaction, i.e. to provide services to, or obtain services from, any third parties (other than in the circumstances specified in paragraph (e) below). Meanwhile, BUCG, its subsidiaries and/or associates shall provide services to the Group on terms and conditions no less favourable than those offered to independent third parties under similar circumstances and shall not request the Group to provide services on terms and conditions more favourable than those offered to the independent third parties by the Group.
- (e) Notwithstanding any other provisions of the agreement, in respect of the awarded projects cooperated with and/or bid by BUCG under the Situations (2) and (3) as set out in the Supplemental Agreement II to the Non-competition Agreement, BUCG shall, in accordance with the terms of the bidding documents and in compliance with the relevant laws and regulations, subcontract part or parts of the awarded projects bid by BUCG for the Company to the Group and/or enter into such other ways of cooperation, including but not limited to project management services and/or equipment leasing services, etc., as permitted by the project owner on a no profit basis to BUCG. The Company can enjoy the entire profit margin for contracts BUCG obtained and in turn subcontracted to the Group.

Pricing Policy

Pursuant to the Integrated Services Framework Agreement proposed to be renewed, BUCG, its subsidiaries and/or associates shall provide integrated services, including but not limited to engineering construction related services, to the Group, at a price to be determined by coordinating the market factors with reference to the government-guided price, and should be in any event no less favourable to the terms and prices of same or similar type of services provided to the Group by independent third parties:

- (a) The government-guided price refers to the pricing range or level provided by the central government, provincial government, local government, industry associations or other competent authorities for certain specific types of services, of which the price will be determined by the parties through negotiations with reference to the pricing range or level. The Company will keep track of related updates of government-guided prices. If any governmental documents issued to regulate the services the Company being involved and provide certain pricing range or level, the price will fall within the range of the government-guided price as stated in such documents.

LETTER FROM THE BOARD

- (b) Along with the government-guided price, the Company will make reference to the market price for the relevant services taking into account specific project differences such as project scale, technical difficulties, construction period and labour costs. (the “market price” refers to (1) the then bid-winning price charged by independent third parties which offer the same type of services under normal commercial terms in the ordinary and usual course of business at or near the area where such services are provided with reference to at least two independent third parties which provide the same or similar type of services under same conditions; or (2) where (1) is inapplicable, the then bid-winning price charged by independent third party(ies) who offer the same type of services under normal commercial terms in the ordinary and usual course of business in the PRC with reference to at least two independent third parties who provide the same or similar type of services under same conditions that the Company obtained from public sources such as the China Government Procurement Network and the Chinese Government Purchase Service Information Platform* (中國政府採購網中國政府購買服務信息平台 <http://www.ccgp.gov.cn>), the China Tendering and Procurement Network* (中國招標與採購網 www.zbytb.com), China Procurement and Bidding Network* (中國採購與招標網 <http://www.chinabidding.com.cn>)).

Pursuant to the Integrated Services Framework Agreement proposed to be renewed, the Group shall provide integrated services, including but not limited to relevant services relating to construction survey, design and consultancy, to BUCG, its subsidiaries and/or associates, at a price determined through tender process or the contractual price:

LETTER FROM THE BOARD

- (a) If the Company intends to bid for a project, the Sales & Marketing Department will first evaluate the cost and price of the project and then formed a plan which will be submitted to responsible department heads for approval. If approved, the Company will prepare bidding documents as required by the project owner. According to relevant PRC rules and regulations in relation to the tender process of certain services, the project owner shall organise experts to evaluate the bidder and respective bidding documents. At last, the project owner will determine the bid winner by taking into account certain factors, including but not limited to the qualification of the bidders, the terms provided by the bidders and the total prices quoted, and with reference to the experts' opinions.
- (b) The “contractual price” shall be determined on the basis of “reasonable cost + reasonable profit” with reference to the “market price”, but should be in any event no more favourable to the terms and prices of same or similar type of services provided to independent third parties.

The “reasonable cost” means the cost confirmed by both parties after negotiations and as permitted by the relevant accounting principles of the PRC (inclusive of sales tax and surcharges); and “reasonable profit” means the profit calculated based on reasonable costs under market practice. (The Company will estimate the cost and price of the project with reference to calculation methods stated in relevant charging guidelines promulgated by the government or industry associations. In terms of construction consultancy services, the Charging Guidelines of Preliminary Consultancy Services of Urban Rail Transit (《城市軌道交通前期諮詢工作收費指導意見》) issued by China Association of Metros (中國城市軌道交通協會) would be taken as a reference. In terms of construction contracting services, reference would be made to the Project Cost Information (《工程造價信息》) published by local commissions of housing and urban-rural development regularly, which provides suggested prices of certain types of building materials).

LETTER FROM THE BOARD

To ensure the price is fair and reasonable, and is in any event no more favourable to the terms and prices of same or similar type of services provided to independent third parties, the Company shall make reference to the market price taking into account specific project differences such as project scale, technical difficulties, construction period and labour costs. (The “market price” refers to (1) the bid-winning price charged by independent third parties then who offer the same type of services under normal commercial terms in the ordinary and usual course of business at or near the area where such services are provided with reference to at least two independent third parties who provide the same or similar type of services under same conditions; or (2) where (1) is inapplicable, the bid-winning price charged by independent third party(ies) then who offer the same type of services under normal commercial terms in the ordinary and usual course of business in the PRC with reference to at least two independent third parties who provide the same or similar type of services under same conditions that the Company obtained from public sources such as the China Government Procurement Network and the Chinese Government Purchase Service Information Platform* (中國政府採購網中國政府購買服務信息平台 <http://www.ccgp.gov.cn>), the China Tendering and Procurement Network* (中國招標與採購網 www.zbytb.com), China Procurement and Bidding Network* (中國採購與招標網 <http://www.chinabidding.com.cn>)).

Based on the audited financial data of the Company in the past three years, the range of profit for construction survey, design and consultancy services and construction contracting services is approximately 30%-35% of the contracting amount and 8%-10% of the contracting amount respectively.

- (c) The price of the relevant project sub-contracting arrangements and/or specialised services, if required, to be provided by the Group to BUCG, pursuant to Situations (2) and (3) set out in the Supplemental Agreement II to the Non-competition Agreement, shall be determined as follows:

LETTER FROM THE BOARD

- (i) The price of the sub-contracting arrangements shall be the contractual price attributable to part or parts of the awarded contract subcontracted to the Group on a no profit basis to BUCG under the contract awarded to BUCG in Situations (2) and (3) as set out in the Supplemental Agreement II to the Non-competition Agreement; and/or
- (ii) The price of the specialised services shall be the contractual price of the contract awarded to BUCG or, if applicable, the contractual price attributable to the remaining part of the awarded contract, after deducting the price of the part subcontracted to third parties and the above-mentioned price of the sub-contracting arrangements (on a no profit basis to BUCG).

**Payment
Arrangements**

The parties shall pay the service fees to each other upon completion of the relevant services in accordance with the provisions of the individual service agreement to be entered into by the parties under the Integrated Services Framework Agreement proposed to be renewed.

**Implementation
Agreements**

During the term of the Integrated Services Framework Agreement proposed to be renewed, members of the Group and BUCG, its subsidiaries or associates will enter into, from time to time and as necessary, individual service contract for each of the specific transactions contemplated under such framework agreement (including such individual service contract entered into during the term of the existing Integrated Services Framework Agreement which has an expiring date within the term of the Integrated Services Framework Agreement proposed to be renewed), provided that any such individual service contract shall be within the ambit of, and shall not contravene the principles or any provisions as agreed by the parties in, the Integrated Services Framework Agreement proposed to be renewed.

LETTER FROM THE BOARD

2. Proposed Annual Caps for the Three Years Ending 31 December 2022

2.1 Historical annual caps for the three years ending 31 December 2019

Set out below is the historical annual caps for the mutual provision of integrated services between the Group and BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement for the three years ending 31 December 2019:

	Historical Annual Caps for the years ended/ending 31 December		
	2017	2018	2019
	(RMB million)	(RMB million)	(RMB million)
Revenue to be generated by the Group from providing integrated services to BUCG, its subsidiaries and/or associates	1,456	1,820	2,002
Expenditure to be incurred by the Group for provision of integrated services by BUCG, its subsidiaries and/or associates	940	1,128	1,354

2.2 Historical transaction amounts

Set out below is the historical transaction amounts in respect of the mutual provision of integrated services between the Group and BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement for the preceding two years ended 31 December 2018 and the six months ended 30 June 2019:

	Approximate historical transaction amounts for the financial years/six-month period ended		
	31 December 2017	31 December 2018	30 June 2019
	(RMB million)	(RMB million)	(RMB million)
Revenue generated by the Group from providing integrated services to BUCG, its subsidiaries and/or associates	65.64	161.90	156.30
Expenditure incurred by the Group for provision of integrated services by BUCG, its subsidiaries and/or associates	132.55	64.21	42.59

LETTER FROM THE BOARD

2.3 Proposed annual caps for the three years ending 31 December 2022

The Company estimates the proposed annual caps for the continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement proposed to be renewed for the next three years ending 31 December 2022 as follows:

	Proposed annual caps for the years ending		
	31 December	31 December	31 December
	2020	2021	2022
	(RMB million)	(RMB million)	(RMB million)
Revenue to be generated by the Group from providing integrated services to BUCG, its subsidiaries and/or associates	435	479	527
Expenditure to be incurred by the Group for provision of integrated services by BUCG, its subsidiaries and/or associates	1,770	1,947	2,142

2.4 Basis of determination of the proposed annual caps

2.4.1 Revenue

When estimating the annual caps for the revenue to be generated by the Group from providing integrated services to BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement proposed to be renewed for the next three years, the Company has made reference to the historical transaction figures as listed above and considered, among other things, the following key factors:

- (a) **Design, survey and consultancy services to be provided by the Company to BUCG, its subsidiaries and/or associates:** The design, survey and consultancy segment has been the traditional and core business of the Group. The Company expects that the revenue from such services would continue to increase with the continued expansion of the business scope of the Group as well as expansion of the business of BUCG. For the past several years since 2017, revenue from the provision of design, survey and consultancy service to BUCG, its subsidiaries and/or associates was between RMB30.58 million to RMB78.39 million, but revenue for the provision of such services to BUCG is expected to increase to approximately RMB119.42 million, RMB108.99 million and RMB107.00 million for the three financial years ending 31 December 2022, respectively, taking into account the design, survey and consulting business obtained by the Company such as the design and construction general contracting (EPC) of the Hongxin Building construction project in the Ganjiang New District, information construction and services, cultural consulting and cultural design.

LETTER FROM THE BOARD

- (b) **Construction contracting services to be provided by the Group to BUCG, its subsidiaries and/or associates:** The Company expects that the revenue from such services would increase with the commitment of the Group to expand the geographical coverage of construction contracting projects. For the past several years since 2017, revenue from the provision of construction contracting services to BUCG, its subsidiaries and/or associates was between RMB25.72 million to RMB31.84 million, but revenue for the provision of such services to BUCG is expected to increase to approximately RMB308.50 million, RMB184.50 million and RMB81.00 million for the three financial years ending 31 December 2022, respectively, taking into account the construction contracting business obtained by the Company such as the Gao'an EPC.
- (c) **Other potential projects:** Investments by the PRC government, both the central and local governments, in urban infrastructure are expected to continue to grow steadily in the near future. Given the dominant position of BUCG in the construction general contracting and investment construction sector, the Company expects to continue to work closely with BUCG in the areas of urban development, municipal engineering and construction design consultation in the Beijing-Tianjin-Hebei region under the Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement. To provide for further potential projects to be obtained by BUCG on the Company's behalf in the above circumstances, for prudence purpose, based on the communication and understanding between the Company and BUCG in respect of the future development plan of BUCG, and considering the historical growth of BUCG's business as well as the annual average income growth of the Group since 2016, the Company has included a buffer of 10% increase for the year ending 31 December 2021 based on the estimated annual cap for the year of 2020 and a 10% increase for the year of 2022 based on the estimated annual cap for the year of 2021 in its estimation of the annual caps of revenue from BUCG, its subsidiaries and/or associates.

2.4.2 Expenditure

When estimating the annual caps for the expenditure to be incurred for the provision of integrated services by BUCG, its subsidiaries and/or associates to the Group under the Integrated Services Framework Agreement proposed to be renewed for the next three years, the Company has made reference to the historical transaction figures as listed above and the new contracts obtained by the Group in 2019. The key factors considered are:

LETTER FROM THE BOARD

- (a) **The expenditures incurred and to be incurred for the construction projects and PPP projects obtained by the Company:** Among these projects, the major projects include^{note}: PPP project of the Infrastructure of East Huangshan International Town, Part B of Kunming Rail Transit Line 4 PPP Project, PPP Project of Construction of Nanjing Pukou Linxi Road, renovation project for office area of headquarters, Beijing new airport express project and Guangzhou Metro Line 10 Project. The Company estimates that the expenditures incurred by all the projects for the six months ended 30 June 2019 are RMB41.28 million, and the estimated expenditures to be incurred for the three financial years ending 31 December 2022 are RMB1,601.55 million, RMB1,202.95 million and RMB100.10 million, respectively.

Note: The scope of PPP project of the Infrastructure of East Huangshan International Town primarily includes 9 main roads and 11 secondary trunk roads in the town area, including construction projects such as under-water supply, drainage pipe network construction, construction of new water supply plant, construction of new wastewater treatment plant and construction project of Youyou Zhixin Park.

The scope of Kunming Rail Transit Line 4 Project includes the north-west and south-east lines connecting the main city and Chenggong, all of which are underground lines.

PPP Project of Construction of Nanjing Pukou Linxi Road is a newly-constructed municipal public utility, which includes three sub-projects in total, namely the construction of Linxi Road, the integrated utility tunnel project of Linxi Road (Qiaoxing Avenue to Fengzihe Road) and the municipal landscape supporting project of Linxi Road.

- (b) **The expenditures to be incurred for potential EPC and PPP projects which the Company may obtain in the next three years:** The Company has taken into account upcoming potential EPC and PPP projects which are already publicly known and which the Company would bid for and may obtain in the near future. For these projects, BUCG, its subsidiaries and/or associates will continue to provide integrated services to the Group and annual expenditures would be incurred for the provisions of such services. These potential upcoming projects primarily include PPP project of Line T2 of modern tramcar in Shunyi and the Huangshan Urban Tourism Railway Project in Anhui province, etc., with estimated expenditures of approximately RMB162.18 million, RMB272.95 million and RMB200.77 million respectively for the three financial years ending 31 December 2022, respectively for the integrated services to be provided for the Project by BUCG, its subsidiaries and/or associates to the Group.

LETTER FROM THE BOARD

- (c) **Other potential urban transit projects in the next three financial years:** As stated in the Company's 2018 annual report, the General Office of the State Council of the People's Republic of China issued the Opinions on Further Strengthening Management of Urban Rail Transit Planning and Construction (Guo Ban Fa [2018] No. 52) as a new policy document, which raised the relevant economic indicators and declaration requirements for the construction of metro and light rails, and clarified the future trend of coordinated development of urban rail transit. Under such situation, the Company expects that investments by the government in urban transit projects will continue in the next three financial years which will provide more business opportunities for the Group. The Company will keep track of businesses in Beijing, Shaoxing, Huangshan and other areas in accordance with the strategic development plan of engineering sector. Projects such as PPP project of Line T2 of modern tramcar in Shunyi are currently in the stage of tracking. The construction period upon the commencement of the project will be concentrated in the next 2-3 years, which is likely to result in an increase in the expenditures of integrated services. In addition, the Company also expects that PPP Project of Shaoxing Rail Transit Line 1, new PPP projects and construction projects explored in Huangshan Joint Venture and other areas will result in increasing expenditures for the integrated services provided by BUCG, its subsidiaries and/or associates to the Group. The Company has therefore included an annual increase of 10% on the estimation of annual caps for the expenditures for the years of 2021 and 2022 based on the estimation of annual cap for the previous year so as to accommodate further projects which the Group may successfully obtain during the first two years ending 31 December 2022 and which would require the integrated services of BUCG, its subsidiaries and/or associates.

2.5 Internal control measures

To ensure the Company's conformity with the above pricing policy in relation to the continuing connected transactions contemplated under the Integrated Services Framework Agreement and the agreement proposed to be renewed, the Company has adopted and will continue to strengthen a series of internal control policies for its daily operation.

The Administrative Measures on Connected Transactions was considered and formulated at the 3rd meeting of the first session of the Board in accordance with supervisory requirements of the Hong Kong Stock Exchange in respect of connected transactions and continuing connected transactions and with reference to actual situation of the Company, which explicitly stipulated the identification of connected transactions, procedure of review and approval, report, supervision and management and related information disclosure.

LETTER FROM THE BOARD

To ensure the relevant continuing connected transactions contemplated under the Integrated Services Framework Agreement between the Group and BUCG, its subsidiaries and/or associates being in compliance with the pricing policy thereunder, especially when the relevant service price is determined on the basis of market price, the Group has adopted and will continue to strengthen the following specific measures:

- (a) Relevant business department of the Company is responsible for submitting documents such as the Integrated Services Framework Agreement relating to the proposed continuing connected transactions for internal approval. The Department of Board Secretary will ultimately review the compliance of continuing connected transactions and execute subsequent approval procedures pursuant to the Listing Rules and internal regulations, following the size tests conducted by the finance department and review of commercial terms by the legal department of the Company, respectively.
- (b) The Department of Board Secretary is responsible for collecting detailed data in respect of above-mentioned continuing connected transactions on a regular basis, including but not limited to pricing terms, payment arrangement and actual transaction amounts specified in individual service contracts under the Integrated Services Framework Agreement. Before entering into individual service contracts, the Legal and Audit Department of the Company shall assist in reviewing the fairness of the specific terms and conditions of such individual service contracts, and the Financial Department of the Company shall assist in reviewing and controlling the amounts of such individual service contracts..
- (c) Before entering into individual service contracts, senior management of the Group, such as the head of the marketing department, head of the finance department, technical directors, regional managers relevant to the location of the relevant project, head of branch offices relevant to the location of the relevant project and the general manager, is responsible for supervising whether the transaction terms, pricing and other terms specified in individual service contracts are in compliance with the principles set out in the Integrated Services Framework Agreement, whether the price conformed with relevant pricing requirements if the service applies government-guided price or price determined through tender process and whether the price conformed with the range of the then market price applicable to same type of services if the service price is based on the market price, as well as comprehensively evaluating the fairness of the transaction terms and pricing terms after reviewing the respective review results of the Company's Legal and Audit Department and the Financial Department for terms and conditions and contract amount of individual service contract, and reporting relevant information to the Board in time.

LETTER FROM THE BOARD

- (d) The Board is responsible for inspecting and supervising the control on connected transactions of the Company, as well as the execution of control system of connected transactions by the Directors, senior management and connected persons of the Company.
- (e) In addition, the independent non-executive Directors have reviewed and would continue to review the continuing connected transactions contemplated under the Integrated Services Framework Agreement to ensure that such agreement is entered into on normal commercial terms, is fair and reasonable, and is carried out pursuant to the terms of such agreement. The auditors of the Company would also conduct an annual review on the pricing terms and annual caps of such continuing connected transactions.

3. Reasons for and Benefits of the Renewal of the Integrated Services Framework Agreement

In the ordinary and usual course of business, BUCG, its subsidiaries and/or associates require the integrated services including services relating to construction design, survey and consultancy, training services, project sub-contracting and/or specialised services from the Group from time to time. On the other hand, the Group also requires the integrated services including engineering construction related services from BUCG, its subsidiaries and/or associates from time to time. Due to the historical and future long-term cooperation relationship between the Group and BUCG, its subsidiaries and/or associates, the renewal of the Integrated Services Framework Agreement with BUCG will standardize the mutual provision of above services between the Group and BUCG, clarify the content and operating methods of business cooperation between both parties, set out the transaction principles and pricing principles in relation to the connected transactions, standardize the operating process and specify rights and obligations of both parties.

The integration of design, survey and consultancy business and construction contracting business enables the Group to provide comprehensive business solutions covering all major stages in the value chain of the urban rail transit engineering. In view of BUCG's rich resources and experience and relevant arrangement in the Non-competition Agreement, the renewal of the Integrated Services Framework Agreement may allow the Group to establish and maintain a continuous and stable cooperative relationship with BUCG, thereby enhancing its chances of winning bids, expand the sources of revenue and consolidate and enhance the market position of the Group in the urban rail transit industry. It is anticipated that such transactions will create synergy from combining the resources and expertise of BUCG, its subsidiaries and/or associates in the provision of relevant services, and enable the Group to enhance its competitiveness.

LETTER FROM THE BOARD

The Directors (excluding the independent non-executive Directors, whose view on the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions thereunder will be set out in the circular after considering the advice from the independent financial adviser) are of the view that the Integrated Services Framework Agreement proposed to be renewed and the continuing connected transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions, both revenue and expenditure, contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

4. Listing Rules Implications

BUCG directly and indirectly holds an aggregate of 42.34% interest in the Company and is the controlling Shareholder of the Company, therefore constituting a connected person under Chapter 14A of the Listing Rules as at the date of this circular. Accordingly, the Integrated Services Framework Agreement entered into between the Group and BUCG and the transactions contemplated under such agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement is higher than 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group under the Integrated Services Framework Agreement is higher than 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The following Directors, being Mr. Shi Yubin, Ms. Wu Donghui and Mr. Tang Shuchang, are all employed under BUCG. Therefore, they are deemed to have material interest in all the above-mentioned continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates and thus have abstained from voting on the relevant resolutions at the Board meeting. Save as mentioned above, none of the other Directors has a material interest in such transactions or is required to abstain from voting on the relevant resolutions at the Board meeting.

LETTER FROM THE BOARD

5. General Information

Information on the Company

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

Information on BUCG

BUCG is a wholly state-owned enterprise under the Beijing Municipal People's Government established as a limited liability company, which is principally engaged in the construction contracting, real estate development, mechanical construction, installation of equipment, construction machinery and equipment as well as vehicle leasing and property management, etc.

III. PROPOSED APPOINTMENT OF MR. PEI HONGWEI AS NON-EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 5 December 2019 in relation to (among others) resignation of Director. Due to change in work arrangement, Mr. Shi Yubin has tendered his resignation from his position as a non-executive Director, chairman of the Board, chairman of the Nomination Committee and chairman of the Overseas Risk Control Committee under the Board on 5 December 2019, with effect from the date of approval for the new appointment of non-executive Director at the EGM.

According to the Articles of Association, shareholders holding more than 3% of the shares have the right to submit proposals to the Company. Accordingly, BUCG, the controlling shareholder of the Company, proposed to the Company the appointment of Mr. Pei Hongwei ("**Mr. Pei**") as a non-executive Director of the second session of the Board, subject to the approval by the Shareholders at the EGM. Relevant proposal will be put forward at the EGM for Shareholders' consideration and approval by way of ordinary resolution.

LETTER FROM THE BOARD

Biographical details of Mr. Pei Hongwei are set out below:

Mr. Pei Hongwei, aged 52, is currently the director, general manager, deputy secretary of Party committee of BUCG. Mr. Pei had successively served as the cadre of Beijing-Shijiazhuang Highway Administration Institute of Beijing Highway Bureau (北京市公路局京石公路管理所) and assistant to the head of mechanized line from August 1989 to November 1993. He worked successively as the deputy head of mechanized engineering line, assistant to the chief, assistant to the chief and head of management division and deputy chief (section level) of Beijing-Shijiazhuang Division of Beijing Highway Bureau (北京市公路局京石分局) from November 1993 to August 2000; successively served as the deputy director and director of preliminary work department of Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司) from August 2000 to April 2006; the assistant to the general manager of Beijing Road and Bridge Construction Corporation (北京市公路橋樑建設公司) from April 2006 to January 2007. He successively served as the director and general manager of Beijing Road and Bridge Construction Group Co., Ltd. (北京公路橋樑建設集團有限公司) from January 2007 to June 2007, and successively served as the director and general manager of Beijing Luqiao Municipal Construction Holding (Group) Co., Ltd. (北京市政路橋建設控股(集團)有限公司) from June 2007 to November 2011. He successively served as the general manager, vice chairman and chairman of Beijing Municipal Road and Bridge Group Co., Ltd. (北京市政路橋集團有限公司) from November 2011 to November 2019. He served as the director, general manager and deputy secretary of Party committee of BUCG since November 2019. Mr. Pei graduated from the Department of Civil Engineering of Southeast University (東南大學) majoring in highway and urban roads engineering in August 1989, and graduated from the Faculty of Architecture Engineering at Beijing University of Technology (北京工業大學) with a master's degree of engineering in transportation planning and management in June 2002. Mr. Pei was qualified as a senior engineer by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術資格評審委員會) in September 1999 and obtained the qualification of grade-one constructor from Beijing Municipal Bureau of Personnel (北京市人事局) in April 2006.

Save as disclosed above, Mr. Pei has not held any directorships in any other listed companies for the last three years or any other positions in the Company or its subsidiaries. Mr. Pei does not have any relationship with any Director, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Pei does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Upon approval of the proposed appointment of Mr. Pei as the non-executive Director by the Shareholders at the EGM, the Company will enter into a service contract with Mr. Pei for a term starting from the date of the approval of his appointment by the Shareholders at the EGM to the expiry date of the terms of office of the members of the current session of the Board. Mr. Pei will not receive any fees for acting as a Director.

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

LETTER FROM THE BOARD

IV. PROPOSED APPOINTMENT OF MR. MA XUFEI AS INDEPENDENT NON-EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 19 July 2019 in relation to (among others) resignation of Director. Due to change in work arrangement, Mr. Yim Fung has tendered his resignation from his position as an independent non-executive Director and member of the Remuneration Committee under the Board on 19 July 2019, with effect from the date of approval for the new appointment of independent non-executive Director at the EGM.

Reference is also made to the announcement of the Company dated 31 July 2019 in relation to (among others) proposed appointment of independent non-executive Director. The Board has resolved on 31 July 2019 to propose the appointment of Mr. Ma Xufei (“**Mr. Ma**”) as the independent non-executive Director of the second session of the Board.

In accordance with the Articles of Association, the proposed appointment of Mr. Ma is subject to the approval by the Shareholders at the general meeting of the Company. Relevant proposal will be put forward at the EGM for Shareholders’ consideration and approval by way of ordinary resolution.

Biographical details of Mr. Ma Xufei are set out below:

Mr. Ma Xufei, aged 46, is currently a professor (tenure) and a doctoral tutor at the Department of Management of the College of Business of City University of Hong Kong. Mr. Ma obtained a bachelor’s degree in engineering from the School of Management of Xi’an Jiaotong University in 1995 and then worked in Sinochem Corporation (中國中化集團) from 1995 to 2001. Mr. Ma obtained an MBA degree from the School of Business of University of Saskatchewan in Canada in 2003, and obtained a doctoral degree from the Department of Business Policy of the College of Business of National University of Singapore in 2007. Mr. Ma taught at the Department of Management of the College of Business of Chinese University of Hong Kong from 2007 to 2018, and acted as the director of the Entrepreneurship Research Center and International Business Research Center of Chinese University of Hong Kong. He joined City University of Hong Kong in 2018, and currently acts as a professor (tenure) and a doctoral tutor at the Department of Management of the College of Business. Mr. Ma obtained his qualification approval from the China Banking Regulatory Commission Shaanxi Office in 2016, and has been acting as an independent director of Western Trust Co., Ltd. (西部信託有限公司) since 2016.

Save as disclosed above, Mr. Ma has not held any directorships in any other listed companies for the last three years or any other positions in the Company or its subsidiaries. Mr. Ma does not have any relationship with any Director, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Ma does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

LETTER FROM THE BOARD

Upon the proposed appointment of Mr. Ma as the independent non-executive director approved by the Shareholders at the EGM, the Company will enter into a service contract with Mr. Ma for a term starting from the date of the approval of his appointment by the Shareholders at the EGM to the expiry date of the terms of office of the members of the current session of the Board. Pursuant to the service contract, Mr Ma will be entitled to an annual director's fee of HK\$150,000 before tax (the individual income tax will be withheld and paid by the Company). The amount was determined by the Board with reference to Mr. Ma's duties and responsibilities to the Company, the Company's policy for independent non-executive director's fee and current market conditions.

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

V. PROPOSED APPOINTMENT OF MR. HU SHENGJIE AS SUPERVISOR

Reference is made to the announcement of the Company dated 5 December 2019 in relation to (among others) resignation of Supervisor. Due to retirement, Mr. Yuan Guoyue has tendered his resignation from his position as a Supervisor and chairman of the Board of Supervisors of the Company on 5 December 2019, with effect from the date of approval of the new appointment of Supervisor at the EGM.

According to the Articles of Association, shareholders holding more than 3% of the shares have the right to submit proposals to the Company. Accordingly, BUCG, the controlling shareholder of the Company, proposed to the Company the appointment of Mr. Hu Shengjie ("Mr. Hu") as a Supervisor of the second session of the Board of Supervisors, subject to the approval by the Shareholders at the EGM. Relevant proposal will be put forward at the EGM for Shareholders' consideration and approval by way of ordinary resolution.

Biographical details of Mr. Hu Shengjie are set out below:

Mr. Hu Shengjie, aged 47, is currently the head of the Department of Board Secretary of BUCG. Mr. Hu served as an employee in the publicity department of Beijing Urban Construction Road and Bridge Group Co., Ltd. (北京城建道橋公司) from July 1995 to December 1996, a newspaper reporter of BUCG from December 1996 to October 2003, and an office staff of the National Stadium project department of BUCG from October 2003 to September 2004. Mr. Hu has successively served as an employee in the publicity department, an employee and deputy director in the manager's office, and the head of the Department of Board Secretary of BUCG since September 2004. Mr. Hu graduated from Renmin University of China (中國人民大學) in July 1995 with a bachelor degree, majoring in Chinese Linguistic Literature. Mr. Hu studied in the Law School of Renmin University of China for master's degree from September 1999 to July 2002, and obtained the national legal professional qualification certificate in 2002. He was qualified as a senior administration engineer by Office of the Leading Group of Qualification Conference of Ideological and Political Works of the Organization Department Beijing Municipal Committee (北京市委組織部思想政治工作專業職務評定工作領導小組辦公室).

LETTER FROM THE BOARD

Save as disclosed above, Mr. Hu has not held any directorships in any other listed companies for the last three years or any other positions in the Company or its subsidiaries. Mr. Hu does not have any relationship with any Director, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Hu does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Upon the proposed appointment of Mr. Hu as a Supervisor approved by the Shareholders at the EGM, the Company will enter into a service contract with Mr. Hu for a term starting from the date of the approval of his appointment by the Shareholders at the EGM to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. Mr. Hu will not receive any fees for acting as a Supervisor.

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

VI. PROPOSED APPOINTMENT OF MR. LIANG WANGNAN AS SUPERVISOR

Reference is made to the announcement of the Company dated 19 July 2019 in relation to (among others) resignation of Supervisor. Due to change in work arrangement, Ms. Zhao Hong has tendered her resignation from her position as a Supervisor on 19 July 2019 with immediate effect.

Reference is also made to the announcement of the Company dated 31 July 2019 in relation to (among others) proposed appointment of Supervisor. The Board of Supervisors has resolved on 31 July 2019 to propose the appointment of Mr. Liang Wangnan (“**Mr. Liang**”) as a Supervisor of the second session of the Board of Supervisors.

In accordance with the Articles of Association, the proposed appointment of Mr. Liang is subject to the approval by the Shareholders at the general meeting of the Company. Relevant proposal will be put forward at the EGM for Shareholders’ consideration and approval by way of ordinary resolution.

LETTER FROM THE BOARD

Biographical details of Mr. Liang Wangnan are set out below:

Mr. Liang Wangnan (梁望南), aged 44, is currently the general manager of the second fund investment department of State-owned Capital Operation and Management Center of Beijing. Mr. Liang acted as a cadre of Beijing Grain Group Co., Ltd. (北京糧食集團) from August 1996 to March 2003, a cadre of the commerce and trade work committee of Beijing Municipal Committee (北京市委商貿工委) from March 2003 to November 2003, a cadre of State-owned Assets Supervision and Administration Commission of The People's Government of Beijing Municipality from November 2003 to May 2009, and has been working in the State-owned Capital Operation and Management Center of Beijing since May 2009, acting successively as the deputy general manager and general manager of the human resources department, the general manager of the human resources department and deputy general manager (in charge) of the fund investment department, general manager (department head) of the human resources department (organization department) and deputy general manager (in charge) of the fund investment department, general manager of the fund investment department and general manager of the second fund investment department. Mr. Liang obtained a bachelor's degree in engineering from the Department of Electronics of Heilongjiang Commercial College (黑龍江商學院) in August 1996, majoring in computer application.

Save as disclosed above, Mr. Liang has not held any directorships in any other listed companies for the last three years or any other positions in the Company or its subsidiaries. Mr. Liang does not have any relationship with any Director, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Liang does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Upon the proposed appointment of Mr. Liang as a Supervisor approved by the Shareholders at the EGM, the Company will enter into a service contract with Mr. Liang for a term starting from the date of the approval of his appointment by the Shareholders at the EGM to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. Mr. Liang will not receive any remuneration for acting as a Supervisor.

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

LETTER FROM THE BOARD

VII. EGM

The EGM will be held at Conference Room 501, 5/F, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 2:30 p.m. on Monday, 30 December 2019, to consider and if thought fit, to approve the resolutions in relation to (1) the renewal of the Integrated Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022; (2) proposed appointment of Mr. Pei Hongwei as non-executive Director; (3) proposed appointment of Mr. Ma Xufei as independent non-executive Director; (4) proposed appointment of Mr. Hu Shengjie as Supervisor; and (5) proposed appointment of Mr. Liang Wangnan as Supervisor. A revised notice convening the EGM is set out on pages 61 to 63 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the revised proxy form in accordance with the instructions printed thereon as soon as possible. For H Shareholders, the revised 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 revised proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish.

The register of members of the Company will be closed from Saturday, 30 November 2019 to Monday, 30 December 2019 (both days inclusive) for the purpose of determining Shareholders who will be entitled to attend and vote at the EGM, during which no transfer of Shares will be registered.

For the purposes of ascertaining Shareholders' entitlement to attend and vote at the EGM, all transfer documents together with the relevant share certificates must be lodged to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) or the registered address of the Company (for Domestic Shareholders) for registration not later than 4:30 p.m. on Friday, 29 November 2019. Shareholders whose names appear on the register of members of the Company on Monday, 30 December 2019, will be entitled to attend the EGM and to vote thereat.

LETTER FROM THE BOARD

VIII. VOTES BY WAY OF POLL

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

In accordance with the Listing Rules, BUCG, its subsidiaries and/or associates shall abstain from voting on the resolution in relation to the renewal of the Integrated Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, the number of Domestic Shares of the Company held by BUCG is 571,031,118, representing 42.34% of the total issued Shares of the Company in aggregation.

To the best of the Directors' knowledge, having made all reasonable enquiries, none of the other Shareholders has a material interest in the above resolutions and is required to abstain from voting on the relevant resolution at EGM besides BUCG, its subsidiaries and/or associates.

IX. RECOMMENDATIONS

Your attention is also drawn to: (a) the letter from the Independent Board Committee, on page 26 to page 27 of this circular, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders, in relation to the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022; (b) the letter from Veda Capital, on page 28 to page 53 of this circular, which sets out the opinions and recommendations of Veda Capital to the Independent Board Committee and Independent Shareholders, in relation to the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022; and (c) other information set out in the Appendix to this circular.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the resolutions in relation to (1) the renewal of the Integrated Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022; (2) proposed appointment of Mr. Pei Hongwei as non-executive Director; (3) proposed appointment of Mr. Ma Xufei as independent non-executive Director; (4) proposed appointment of Mr. Hu Shengjie as Supervisor; and (5) proposed appointment of Mr. Liang Wangnan as Supervisor are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the above resolutions. The Independent Board Committee's view on the renewal of the Integrated Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022 is set out in the section headed "Letter from the Independent Board Committee" in this circular.

Yours faithfully,

By order of the Board

Beijing Urban Construction Design & Development Group Co., Limited

Shi Yubin

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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:

Wang Dexing

Yim Fung

Sun Maozhu

Liang Qinghuai

Qin Guisheng

13 December 2019

To the Independent Shareholders:

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the circular of the Company dated 13 December 2019 (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 consider and advise the Independent Shareholders on whether the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022 are fair and reasonable and are on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Veda Capital has been appointed by the Board as the Independent Financial Adviser to give advice and recommendation to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022. Details of the advice from Veda Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 28 to 53 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is also drawn to the letter from the Board set out on pages 1 to 25 of the Circular and the additional information set out in the Appendix.

Having considered (i) the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022; and (ii) the advice and recommendations of Veda Capital as well as the principal factors and reasons considered by Veda Capital, we are of the opinion that the Integrated Services Framework Agreement proposed to be renewed was entered into in the ordinary and usual course of business of the Company and on normal commercial terms after arm's length negotiations among the parties, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole.

Therefore, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the terms of Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022.

Yours faithfully,

For and on behalf of the Independent Board Committee

Wang Dexing

Yim Fung

Sun Maozhu

Liang Qinghuai

Qin Guisheng

Independent non-executive Directors

LETTER FROM VEDA CAPITAL

The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Integrated Services Framework Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in the Circular.



Room 1106, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

13 December 2019

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

Dear Sirs/Madams,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the continuing connected transactions (the “**Continuing Connected Transactions**”) contemplated under the soon to expire existing integrated services framework agreement (the “**Existing Agreement**”) including the existing revenue and expense annual caps (the “**Annual Caps**”) proposed to be renewed under the Integrated Services Framework Agreement and the proposed revenue and expense annual caps for the three years ending 31 December 2022 (the “**Proposed Annual Caps**”). Details of the Continuing Connected Transactions (including the Proposed Annual Caps) are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 13 December 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As the terms of the Existing Agreement as well as the Annual Caps will expire on 31 December 2019, subject to the approval by the Independent Shareholders at the EGM to be convened, the Company has, on 8 November 2019, renewed the Existing Agreement and the Annual Caps through the Integrated Service Framework Agreement along with the Proposed Annual Caps, with BUCG for a further term of three years commencing from 1 January 2020 and ending on 31 December 2022 for the Continuing Connected Transactions contemplated thereunder for the three years ending 31 December 2022. Details of the Integrated Services Framework Agreement are set out in the paragraph headed “II. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS: THE INTEGRATED SERVICES FRAMEWORK AGREEMENT” in the Board Letter.

LETTER FROM VEDA CAPITAL

As at the Latest Practicable Date, BUCG directly and indirectly holds an aggregate of approximately 42.34% interest in the Company and is therefore the controlling Shareholder and connected person of the Company under the Listing Rules and BUCG, its subsidiaries and/or associates (the “**BUCG Group**”) are connected persons of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Integrated Services Framework Agreement between the Group and BUCG Group therefore constitute continuing connected transactions of the Company under the Listing Rules.

As the highest of the applicable percentage ratios in respect of the Proposed Annual Caps exceeds 5%, the Continuing Connected Transactions contemplated under the Integrated Services Framework Agreement (including the Proposed Annual Caps) are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wang Dexing, Dr. Yim Fung, Mr. Sun Maozhu, Mr. Liang Qinghuai and Mr. Qin Guisheng has been established to advise the Independent Shareholders in respect of the terms of the Integrated Services Framework Agreement and the Proposed Annual Caps for the Continuing Connected Transactions.

The following Directors, being Mr. Shi Yubin, Ms. Wu Donghui and Mr. Tang Shuchang, are all employed under BUCG. Therefore, they are deemed to have material interest in the Continuing Connected Transactions contemplated between the Group and BUCG Group and thus have abstained from voting on the relevant resolutions at the Board meeting. Save as mentioned above, none of the other Directors has a material interest in the Continuing Connected Transactions and is required to abstain from voting on the relevant resolution at the Board meeting.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the renewal of the Continuing Connected Transactions is in the ordinary and usual course of business of the Company; (ii) the terms of the Integrated Services Framework Agreement (including the Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Independent Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Integrated Services Framework Agreement (including the Proposed Annual Caps).

As at the Latest Practicable Date, we did not have any relationship with, or interest in, or other services provided to, the Company or any other parties that could reasonably be regarded as relevant to our independence in the past two years. Given our independent role and normal professional fees received from the Company under this engagement, we consider it would not affect our independence to form our opinion in this letter. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser in relation to the Continuing Connected Transactions, no arrangements existed whereby we had received or would receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM VEDA CAPITAL

BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Company; and (iv) our review of the relevant public information. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company and its advisers, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Integrated Services Framework Agreement along with the Proposed Annual Caps and the Continuing Connected Transactions, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing and arriving at our advice and recommendation with regard to the Integrated Services Framework Agreement along with the Proposed Annual Caps and the Continuing Connected Transactions, we have taken into account the principal factors and reasons set out below.

I. Information on the Group

As set out in the Board Letter, the Group is principally engaged in design, survey and consultancy business for urban rail transit engineering, industrial and civil construction and municipal engineering as well as construction contracting business for urban rail transit engineering.

The information below sets out the summary financial information of the Group as extracted from the Company's annual reports for the years ended 31 December 2017 (the "AR 2017") and 31 December 2018 (the "AR 2018") and the Company's interim report for the six months ended 30 June 2019 (the "IR 2019"):

Consolidated statement of profit or loss

	For the financial year ended	
	31 December	
	2017	2018
	(RMB'000)	(RMB'000)
	(audited)	(audited)
Revenue	6,972,545	7,186,146
Gross profit	1,343,218	1,423,801
Profit for the year attributable to:		
Owners of the parent	495,919	562,382
Non-controlling interest	16,090	(8,576)
Profit for the year	512,009	553,806

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As illustrated above, the Group's revenue increased from approximately RMB6,972.55 million for the year ended 31 December 2017 to RMB7,186.15 million for the year ended 31 December 2018, representing an increase of approximately 3.06%. We noted that such increase in revenue was mainly attributable to the increase in the revenue of the design, survey and consultancy segment.

The Group's profit attributable to owners of the parent increased from approximately RMB495.92 million for the year ended 31 December 2017 to RMB562.38 million, representing an increase of approximately 13.40%.

Consolidated statement of financial position

	As at 30 June	
	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Unaudited)
Total Assets	15,213,960	17,375,915
Total Liabilities	10,925,268	12,629,374
Net Assets	4,288,692	4,746,541

The Group's total assets and total liabilities as at 30 June 2019 amounted to approximately RMB17,375.92 million (2018: approximately RMB15,213.96 million) and RMB12,629.37 million (2018: approximately RMB10,925.27 million), respectively. This represented an increase as at 30 June 2019 in total assets of approximately RMB2,161.96 million, primarily attributable to the increase of contract assets and investments in joint ventures. The increase in total liabilities of approximately RMB1,704.11 million was predominately by the increase of (i) current other payables and accruals; and (ii) non-current interest-bearing bank and other borrowings.

II. Information on BUCG

As stated in the Board Letter, BUCG is a wholly state-owned enterprise under the Beijing Municipal People's Government established as a limited liability company, which is principally engaged in the construction contracting, real estate development and design and consultation businesses.

III. The Integrated Services Framework Agreement

1. Background

The Company and BUCG entered into the Existing Agreement on 18 June 2014 for a term of approximately two years and six months commencing from 18 June 2014 and ended on 31 December 2016, as part of the Group's ordinary and usual course of business, pursuant to which (i) the Group provides services relating to construction design, survey and consultancy, including but not limited to measurement, test, inspection of construction drawings, as well as training services and other services to the BUCG Group; and (ii) the BUCG Group provides engineering and construction related services, including but not limited to provision of labour, supply of raw materials, equipment leasing as well as training services and other services to the Group. On 29 October 2015 and 9 December 2015, the Company and BUCG entered into the Supplemental Agreement II to the Non-competition Agreement and the Supplemental Agreement to the Integrated Services Framework Agreement respectively in order to (i) enable BUCG and the Company to cooperate and bid for new projects under specific circumstances; and (ii) expand the scope of the CDSC Integrated Services to be provided by the Group to the BUCG Group to include "project sub-contracting and/or specialised services, including but not limited to project management and equipment leasing", pursuant to Situation (2) and (3) referred to in the Supplemental Agreement II to the Non-competition Agreement.

2. *Reasons for and benefits of the entering into of the Integrated Services Framework Agreement*

As noted from the Board Letter, in the ordinary and usual course of business, the BUCG Group requires the integrated services including services relating to construction design, survey and consultancy, training services, project sub-contracting and/or specialised services from the Group from time to time. On the other hand, the Group also requires the integrated services including engineering construction related services from the BUCG Group from time to time. Due to the historical and future long-term cooperation relationship between the Group and BUCG Group, the Integrated Services Framework Agreement with BUCG will standardize the mutual provision of above services between the Group and the BUCG Group, clarify the content and operating methods of business cooperation between both parties, set out the transaction principles and pricing principles in relation to the connected transactions, standardize the operating process and specify rights and obligations of both parties.

The integration of design, survey and consultancy business and construction contracting business enables the Group to provide comprehensive business solutions covering all major stages in the value chain of the urban rail transit engineering. In view of BUCG's rich resources and experience and relevant arrangement in the Non-competition Agreement, the Integrated Services Framework Agreement may provide the Group with earlier access to market information regarding potential business opportunities, thereby enhancing its chances of winning bids, expand the sources of revenue and consolidate and enhance the market position of the Group in the urban rail transit industry. It is anticipated that such transactions will create synergy from combining the resources and expertise of the BUCG Group in the provision of relevant services, and enable the Group to enhance its competitiveness.

As noted from the AR 2017, the AR 2018 and the IR 2019, the Group generates its revenue from the design, survey and consultancy segment as well as the construction contracting segment where the Group provides services for infrastructure construction (in particular, urban rail transit).

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As further noted from the announcement of the Company dated 29 October 2015 in relation to the amendments to the Non-competition Agreement, BUCG has undertaken in the Non-competition Agreement that during the term thereof, if BUCG becomes aware of any new business opportunities which are identical with or similar to the core businesses of the Company: (1) it will notify the Company in writing as soon as possible within three days after becoming aware of such new business opportunity and will provide the Company with all information and reasonable assistance, including procuring its subsidiaries and associates to provide the Company with the relevant information, for the Company to consider whether or not to take up or bid for such new business opportunity; and (2) if the Company, having considered the relevant information, decides not to take up or bid for the new business opportunity (including any business related to planning, survey, design and/or consultancy), BUCG undertakes not to take up or participate in such new business opportunity in any manner (unless otherwise agreed in the agreement).

Having regard to (i) the principal business and operations of the Group; (ii) the long-term co-operation between the Group and the BUCG Group; (iii) the arrangement under the Non-competition Agreement which would enhance its chances of winning bids, expand the sources of revenue and consolidate and enhance the market position of the Group in the urban rail transit industry; and (iv) the reasons for and benefits of the entering into of the Integrated Services Framework Agreement as mentioned above, we are of the view that the entering into of the Integrated Services Framework Agreement are in the ordinary and usual course of business of the Group and in the interest of the Company and the Independent Shareholders as a whole.

3. *Industry overview*

According to statistics published by the Ministry of Transport of the People's Republic of China (source: <http://www.mot.gov.cn/>), in 2018, approximately RMB802.8 billion was invested into the PRC's railway network in order to build 4683 km of new railway lines. The PRC recorded approximately 3.375 billion railway passengers in 2018, which was an increase of approximately 291 million over the previous year representing an increase of approximately 9.4%. The PRC recorded an increase of approximately 1.27 billion railway passengers from 2013 to 2018, representing a compound annual growth rate of approximately 9.89%. Cargo freight in the PRC experienced similar growth, recording approximately 4.026 billion tons in 2018 which was an increase of approximately 338 million representing an increase of approximately 9.2% over the previous year.

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In March 2019, at the second meeting of the 13th National People's Congress of the PRC, Premier Li Keqiang announced the PRC's plans to invest approximately RMB800 billion in railway projects in 2019, nearly 10% more than 2018's projected expenditure to continue to expand the PRC's logistics network with approximately 6,800km of new railway lines in order to accelerate urban and rural development.

According to the National Development and Reform Commission of the PRC (source: <http://en.ndrc.gov.cn/>), the PRC is planning on constructing 127 key special railway lines in 2020. These key special railway lines represent 1,586 km of new railway lines to be laid across 24 provinces and municipalities expected to boost transport efficiency in order to provide economic and social benefits.

According to statistics published by the China Public Private Partnerships Center (source: <http://www.cpppc.org/en/index.jhtml>), at the end of 2018 there were 8,654 projects in the National public-Private Partnerships (PPP) Integrated Information Platform with a total investment of RMB13.2 trillion which is an increase of 1,517 projects and RMB2.4 trillion from the previous year respectively. Among the 8,654 PPP projects, 3,381 and 1,236 were municipal works and transportation related respectively. Municipal works and transportation were the top two by accumulated investment amount worth RMB4 trillion and RMB3.8 trillion in investments respectively.

In February 2019, the Beijing Municipal Commission of Development and Reform announced 300 major construction projects which included 100 infrastructure projects, 100 projects focusing on the improvement of people's livelihoods, and 100 projects for high-end technological industries. The total investment in these projects is projected to reach RMB235 billion. A total of 11 traffic hubs and bus stations will be built in Chaoyang, Haidian and Changping districts and Beijing will continue to develop 50,000 units of public rental housing and 60,000 units of subsidized housing. Beijing plans to renovate 11,500 shantytown housing units.

Given (i) the significant planned investment in municipal works and rail transit projects from the PRC government; and (ii) the significant amount of PPP projects ongoing and planned for municipal works and transportation, the Group, with extensive experience in municipal works and transportation as well as in PPP projects, is expected to benefit from the abovementioned opportunities in the coming years. As such the Group expects to secure more municipal and rail transit construction projects in the PRC.

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4. *Principal terms of the Integrated Services Framework Agreement*

The principal terms of Integrated Services Framework Agreement are summarised as follows.

Parties

- (i) The Company; and
- (ii) BUCG

Term

For a term of three years from 1 January 2020 to 31 December 2022.

Principal terms and conditions

Pursuant to the Integrated Services Framework Agreement:

- (a) The integrated services to be provided by BUCG Group to the Group include but not limited to engineering construction related services, including but not limited to provision of labour engaged in basic physical work of engineering project, supply of raw materials for engineering construction, construction machinery equipment leasing; and training services and other services required by the Group to carry out its business.
- (b) The integrated services to be provided by the Group to BUCG Group include but not limited to: (i) services relating to construction survey, design and consultancy, including but not limited to measurement, test, inspection of construction drawings, as well as training services and other services required by BUCG, its subsidiaries and/or associates to carry out their businesses; and (ii) project sub-contracting and/or specialised services, including but not limited to project management and equipment leasing services, etc., pursuant to Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement.
- (c) The parties agree that the transaction shall be consummated in line with the applicable general market practice (if any) and on normal commercial terms^{Note}.

Note: As the Company is restricted from bidding for certain projects relating to its core businesses under Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement, for the Company's benefits, BUCG, which meets the bidding requirements, agreed to leverage its strength to bid for a project or jointly bid for a project with the Company, and then subcontract part or parts of the awarded project to the Group according to Clause 3.8 of the Supplemental Agreement II to the Non-competition Agreement. For details, please refer to the announcement dated 29 October 2015 and the circular dated 11 December 2015 of the Company.

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- (d) The parties are entitled to choose the counterparty of the transaction, i.e. to provide services to, or obtain services from, any third parties (other than in the circumstances specified in below paragraph (e)). Meanwhile, BUCG Group shall provide services to the Group on terms and conditions no less favourable than those offered to independent third parties under similar circumstances and shall not request the Group to provide services on terms and conditions more favourable than those offered to the independent third parties by the Group.
- (e) Notwithstanding any other provisions of the agreement, in respect of the awarded projects cooperated with and/or bid by BUCG under the Situations (2) and (3) as set out in the Supplemental Agreement II to the Noncompetition Agreement, BUCG shall, in accordance with the terms of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded contract bid by BUCG for the Company to the Group and/or enter into such other ways of cooperation, including but not limited to project management services and/or equipment leasing services, etc., as permitted by the project owner on a no profit basis to BUCG. The Company can enjoy the entire profit margin for contracts BUCG obtained and in turn subcontracted to the Group.

Pricing policy

Pursuant to the Integrated Services Framework Agreement, BUCG Group shall provide integrated services, including but not limited to engineering construction related services, to the Group at a price to be determined by coordinating the market factors with reference to the government-guided price, and should be in any event no less favourable to the terms and prices of same or similar type of services provided to the Group by independent third parties:

- (a) The government-guided price refers to the pricing range or level provided by the central government, provincial government, local government, industry associations or other competent authorities for certain specific types of services, which price will be determined by the parties through negotiations with reference to the pricing range or level. The Company will keep track of related updates of government-guided prices. If any governmental documents issued to regulate the services the Company being involved and provide certain pricing range or level, the price will fall within the range of the government-guided price as stated in such documents.
- (b) Along with the government-guided price, the Company will make reference to the market price. (the “market price” refers to (1) the then bid-winning price charged by independent third parties which offer the same type of services under normal commercial terms in the ordinary and usual course of business at or near the area

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where such services are provided with reference to at least two independent third parties which provide the same or similar type of services under same conditions; or (2) where (1) is inapplicable, the then bid-winning price charged by independent third party(ies) who offer the same type of services under normal commercial terms in the ordinary and usual course of business in the PRC with reference to at least two independent third parties who provide the same or similar type of services under same conditions that the Company obtained from public sources such as the China Government Procurement Network and the Chinese Government Purchase Service Information Platform* (中國政府採購網中國政府購買服務信息平台 <http://www.ccgp.gov.cn>), the China Tendering and Procurement Network* (中國招標與採購網 www.zbytb.com), China Procurement and Bidding Network* (中國採購與招標網 <http://www.chinabidding.com.cn/>)) for the relevant services taking into account specific project differences such as project scale, technical difficulties, construction period and labour costs.

In order to determine the relevance and applicability of a government-guided price, we have enquired with the management of the Company and noted that the Company makes reference to (i) relevant PRC laws and policies such as the Government Procurement Law of the PRC* (中華人民共和國政府採購法), the Tendering and Bidding Law of the PRC* (中華人民共和國招標投標法) (政府採購貨物和服務招標投標管理辦法), the Administrative Measures for the Tendering of Goods and Services in Government Procurement* (政府採購貨物和服務招標投標管理辦法), the Provisions for Projects that must be Tendered* (必須招標的工程項目規定), Implementation Regulations for the Tendering and Bidding Law of the PRC* (中華人民共和國招標投標法實施條例), the Notice of the State Planning Commission and the Ministry of Construction on issuing the “Provisions on the Management of Engineering Survey and Design Charges”* (國家計委、建設部關於發佈《工程勘察設計收費管理規定》的通知計價格) issued by the Ministry of Construction, National Development Planning Commission* (國家發展計劃委員會建設部), or other policies and guidelines issued by local provincial government bureaus as needed; (ii) successful tender bids for government projects of similar nature of services, similar size, scope and various other factors from sources such as the China Government Procurement Network and the Chinese Government Purchase Service Information Platform* (中國政府採購網中國政府購買服務信息平臺), the China Tendering and Procurement Network* (中國招標與採購網), China Procurement and Bidding Network* (中國採購與招標網); and (iii) guidelines on pricing for various services and materials issued by various local provincial government bureaus such as the Beijing Construction Project Valuation Basis – Budget Quota (北京市建設工程計價依據—預算定額) issued by the Beijing Municipal Commission of Housing and Urban-Rural Development(北京市住房和城鄉建設委員會);

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We are also given to understand from the management of the Company that the market price and practices are determined by the Company by referencing (i) the Company's own historical transactions and projects; and (ii) publicly disclosed information on other projects of similar nature of services, size, scope and various other factors through sources such as the China Tendering and Procurement Network* (中國招標與採購網), China Procurement and Bidding Network* (中國採購與招標網) and other sources as needed.

Pursuant to the Integrated Services Framework Agreement proposed to be renewed, the Group shall provide integrated services, including but not limited to relevant services relating to construction survey, design and consultancy, to BUCG Group at a price determined through tender process or the contractual price:

- (a) If the Company intends to bid for a project, the Sales & Marketing Department will first evaluate the cost and price of the project and then formed a plan which will be submitted to responsible department heads for approval. If approved, the Company will prepare bidding documents as required by the project owner. According to relevant PRC rules and regulations in relation to the tender process of certain services, the project owner shall organise experts to evaluate the bidder and respective bidding documents. At last, the project owner will determine the bid winner by taking into account certain factors, including but not limited to the qualification of the bidders, the terms provided by the bidders and the total prices quoted, and with reference to the experts' opinions.
- (b) The "contractual price" shall be determined on the basis of "reasonable cost + reasonable profit" with reference to the market price, but should be in any event no more favourable to the terms and prices of same or similar type of services provided to independent third parties.

The "reasonable cost" means the cost confirmed by both parties after negotiations and as permitted by the relevant accounting principles of the PRC (inclusive of sales tax and surcharges); and "reasonable profit" means the profit calculated based on reasonable costs under market practice. (The Company will estimate the cost and price of the project with reference to calculation methods stated in relevant charging guidelines promulgated by the government or industry associations. In terms of construction consultancy services, the Charging Guidelines of Preliminary Consultancy Services of Urban Rail Transit (《城市軌道交通前期諮詢工作收費指導意見》) issued by China Association of Metros (中國城市軌道交通協會) would

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be taken as a reference. In terms of construction contracting services, reference would be made to the Project Cost Information (《工程造價信息》) published by local commissions of housing and urban-rural development regularly, which provides suggested prices of certain types of building materials.

To ensure the price is fair and reasonable, and is in any event no more favourable to the terms and prices of same or similar type of services provided to independent third parties, the Company shall make reference to the market price taking into account specific project differences such as project scale, technical difficulties, construction period and labour costs. (The “market price” refers to (1) the bid-winning price charged by independent third parties then who offer the same type of services under normal commercial terms in the ordinary and usual course of business at or near the area where such services are provided with reference to at least two independent third parties who provide the same or similar type of services under same conditions; or (2) where (1) is inapplicable, the bid-winning price charged by independent third party(ies) then who offer the same type of services under normal commercial terms in the ordinary and usual course of business in the PRC with reference to at least two independent third parties who provide the same or similar type of services under same conditions that the Company obtained from public sources such as the China Government Procurement Network and the Chinese Government Purchase Service Information Platform* (中國政府採購網中國政府購買服務信息平台 <http://www.ccgp.gov.cn>), the China Tendering and Procurement Network* (中國招標與採購網 www.zbytb.com), China Procurement and Bidding Network* (中國採購與招標網 <http://www.chinabidding.com.cn>)).

Based on the audited financial data of the Company in the past three years, the range of profit for construction survey, design and consultancy services and construction contracting services is approximately 30%-35% of the contracting amount and 8%-10% of the contracting amount respectively.

- (c) The price of the relevant project sub-contracting arrangements and/or specialised services, if required, to be provided by the Group to BUCG, pursuant to Situations (2) and (3) set out in the Supplemental Agreement II to the Non-competition Agreement, shall be determined as follows:
 - (i) The price of the sub-contracting arrangements shall be the contractual price attributable to part or parts of the awarded contract sub-contracted to the Group on a no profit basis to BUCG under the contract awarded to BUCG in Situations (2) and (3) as set out in the Supplemental Agreement II to the Noncompetition Agreement; and/or

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- (ii) The price of the specialised services shall be the contractual price of the contract awarded to BUCG or, if applicable, the contractual price attributable to the remaining part of the awarded contract, after deducting the price of the part subcontracted to third parties and the above-mentioned price of the subcontracting arrangements (on a no profit basis to BUCG).

Payment arrangement

The parties shall pay the service fees to each other upon completion of the relevant services in accordance with the provisions of the individual service agreement to be entered into by the parties under the Existing Agreement proposed to be renewed.

Implementation arrangements

During the term of the Integrated Services Framework Agreement, members of the Group and BUCG, its subsidiaries or associates will enter into, from time to time and as necessary, an individual service contract for each of the specific transactions contemplated under such framework agreement (including such individual service contract entered into during the term of the Integrated Services Framework Agreement which has an expiring date within the term of the Integrated Services Framework Agreement), provided that any such individual service contract shall be within the ambit of, and shall not contravene the principles or any provisions as agreed by the parties in, the Integrated Services Framework Agreement.

Internal control measures

To ensure the Company's conformity with the above pricing policy in relation to the Continuing Connected Transactions contemplated under the Integrated Services Framework Agreement, the Company has adopted and will continue to strengthen a series of internal control policies for its daily operation.

The Administrative Measures on Connected Transactions was considered and formulated at the 3rd meeting of the first session of the Board, in accordance with supervisory requirements of the Hong Kong Stock Exchange in respect of connected transactions and continuing connected transactions and with reference to actual situation of the Company, which explicitly stipulated the identification of connected transactions, procedure of review and approval, report, supervision and management and related information disclosure.

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To ensure the Continuing Connected Transactions contemplated under the Integrated Services Framework Agreement between the Group and BUCG Group being in compliance with the pricing policy thereunder, especially when the relevant service price is determined on the basis of market price, the Group has adopted and will continue to strengthen the following specific measures that were applied to every transaction entered into under the Existing Agreement and will be applied to every transaction to be entered into under Integrated Services Framework Agreement to be renewed:

- (a) Relevant business department of the Company is responsible for submitting documents such as the Integrated Services Framework Agreement relating to the proposed continuing connected transactions for internal approval. The Department of Board Secretary will ultimately review the compliance of continuing connected transactions and execute subsequent approval procedures pursuant to the Listing Rules and internal regulations, following the size tests conducted by the finance department and review of commercial terms by the legal department of the Company, respectively;
- (b) The Department of Board Secretary is responsible for collecting detailed data in respect of above-mentioned continuing connected transactions on a regular basis, including but not limited to pricing terms, payment arrangement and actual transaction amounts specified in individual service contracts under the Integrated Services Framework Agreement. Before entering into individual service contracts, the Legal and Audit Department and the Financial Department of the Company shall assist in reviewing the fairness of the specific terms and conditions of such individual service contracts, and the Financial Department of the Company shall assist in reviewing and controlling the amounts of such individual service contracts;
- (c) Before entering in to individual service contracts, senior management of the Group, such as the head of the marketing department, head of the finance department, technical directors, regional managers relevant to the location of the relevant project, head of branch offices relevant to the location of the relevant project and the general manager of the Group is responsible for supervising whether the transaction terms, pricing and other terms specified in individual service contracts are in compliance with the principles set out in the Integrated Services Framework Agreement, whether the price conformed with relevant pricing requirements if the service applies price prescribed by the government, government-guided price or price determined through

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tender process and whether the price conformed with the range of the then market price applicable to same type of services if the service price is based on the market price, as well as comprehensively evaluating the fairness of the transaction terms and pricing terms after reviewing the respective review results of the Company's Legal and Audit Department and the Financial Department for terms and conditions and contract amount of individual service contract, and reporting relevant information to the Board in time;

- (d) The Board is responsible for inspecting and supervising the control on connected transactions of the Company, as well as the execution of control system of connected transactions by the Directors, senior management and connected persons of the Company;
- (e) In addition, the independent non-executive Directors have reviewed and would continue to review the continuing connected transactions contemplated under the Integrated Services Framework Agreement to ensure that such agreement is entered into on normal commercial terms, is fair and reasonable, and are carried out pursuant to the terms of such agreement. The auditors of the Company would also conduct an annual review on the pricing terms and Proposed Annual Caps of such continuing connected transactions.

To ensure that the pricing terms are on normal commercial terms, the Group has implemented internal approval procedures, including the following:

- (i) For integrated services provided by the Group to BUCG Group, the sales and marketing department of the Company will first estimate the cost and price of the project based on basic information of the project and with reference to the calculation methods stated in related guidelines and rules from the government and industry associations. The sales and marketing department will then assess whether the price is fair and reasonable after taking into consideration individual factors, such as prices from independent third parties who offer same type of services under similar conditions, and submit its plan to a special session organised by the general manager for consideration at which an approval will be granted, if appropriate.
- (ii) For services provided by BUCG Group to the Group, the Group will select suppliers and determine the terms (including the pricing terms) through internal approval procedures. Prior to entering into an integrated services transaction, the relevant business department will assess the prices provided by the suppliers by estimating the cost and price and with reference to market prices of similar services provided under similar conditions. If the price is fair and reasonable, the relevant business department

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will submit its application to its department head for preliminary review and approval. The application will be subject to different levels of supervisions and approvals. With approval by the department head, the relevant business department will submit the application to the business management department and then the application will be passed to the legal and audit department for legal review. If approved, the head of the operation department will conduct a further examination and provide his opinion to the general manager. The general manager will grant the final approval if appropriate.

We noted from the abovementioned procedures that the Board, different levels of management of the Group and relevant departments of the Group will participate in the review of relevant individual contracts to ensure they are in compliance with the relevant pricing policy under the Integrated Services Framework Agreement and the relevant continuing connected transactions requirements. We are given to understand from the management of the Group that such review will be conducted first by operational level management with the likes of the legal and audit department and the financial department of the Company taking a first level review of the relevant legal documents, and then senior management. The Board would monitor and supervise the control on connected transactions of the Company, as well as the execution of such control system. Independent non-executive Directors and the auditor of the Company would take part in the annual review process of the relevant transactions.

In order to assess the effectiveness of the Company's internal control measures, we have obtained and reviewed six individual service contracts of the Company conducted with independent third parties and six individual service contracts of the Company conducted with the BUCG Group, we note that the pricing and other principal terms of the contracts are in compliance with those pricing and other principal terms set out in the Integrated Services Framework Agreement. We have also reviewed the internal control procedures that are applied to transactions under the Existing Agreement and will be applied to the Integrated Services Framework Agreement to be renewed. Having considered the abovementioned, we are of the view that the internal control measures can safeguard the Continuing Connected Transactions to be conducted on normal commercial terms and in the manners which are fair and reasonable so far as the Independent Shareholders are concerned.

We have also reviewed the Integrated Services Framework Agreement and note that the pricing policy and other principal terms of the integrated services are set out as above. Having considered (i) the transactions shall be consummated in line with the applicable market practice (if any) and on normal commercial terms; (ii) each of the Company and BUCG is entitled to choose the counterparty of the transaction while the BUCG Group shall provide services to the Group on terms and conditions no less favourable than those offered

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to independent third parties under similar circumstances and shall not request the Group to provide services on terms and conditions more favourable than those offered to independent third parties by the Group; (iii) in respect of the awarded projects cooperated with and/or bid by BUCG under the Situations (2) and (3) as set out in the Supplemental Agreement II to the Non-competition Agreement, the transaction terms shall be in accordance with the terms of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded contract bid by BUCG for the Company to the Group and/or enter into such other ways of cooperation, including but not limited to project management services and/or equipment leasing services, etc., as permitted by the project owner on a no profit basis to BUCG; (iv) the pricing policy of the Integrated Services Framework Agreement; (v) the Company's internal control measures; and (vi) our sample review of the historical individual service contracts entered into by the Group evidenced that the pricing and other principal terms specified in individual service contracts entered into between the Group and BUCG are in line with those set out in the individual service contracts entered into between the Group and independent third parties, we consider the terms of the Integrated Services Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

5. *Proposed Annual Caps Calculation*

Set out below are the Annual Caps under the Existing Agreement in respect of the mutual provision of integrated services between the Group and BUCG Group under the Existing Agreement for the three years ended 31 December 2019:

	Annual Caps for the three years ending 31 December		
	2017	2018	2019
	(RMB million)	(RMB million)	(RMB million)
Revenue to be generated by the Group from providing Integrated Services to the BUCG Group (the “Existing Revenue Annual Caps”)	1,456	1,820	2,002
Expenditure to be incurred by the Group for provision of Integrated Services by BUCG Group (the “Existing Expenditure Annual Caps”)	940	1,128	1,354

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Set out below is the historical transaction amounts in respect of the mutual provision of integrated services between the Group and BUCG Group under the Existing Agreement for the preceding two years ended 31 December 2018 and the six months ended 30 June 2019:

Approximate historical transaction amounts			
for the Financial year ended			
	31 December		Six months
	2017	2018	ended 30 June
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Revenue generated by the Group from providing Integrated Services to the BUCG Group	65.64	161.90	156.30
Expenditure incurred by the Group for provision of Integrated Services by BUCG Group	132.55	64.21	42.59

Set out below are the Proposed Annual Caps for the three years ending 31 December 2022 under the Integrated Services Framework Agreement:

Annual Caps for the three years ending 31 December			
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Revenue to be generated by the Group from providing Integrated Services to the BUCG Group (the “ Revenue Annual Caps ”)	435	479	527
Expenditure to be incurred by the Group for provision of Integrated Services by BUCG Group (the “ Expenditure Annual Caps ”)	1,770	1,947	2,142

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(a) *The Revenue Annual Caps*

As noted from the Board Letter, when estimating the annual caps for the revenue to be generated by the Group from providing integrated services to BUCG Group under the Integrated Services Framework Agreement for the next three years, the Company has made reference to the historical transaction figures as listed above and considered, among other things, the following key factors:

(i) Design, survey and consultancy services to be provided by the Company to BUCG Group

As disclosed in the Board Letter, the design, survey and consultancy segment has been the traditional and core business of the Group. The Company expects that the revenue from such services would continue to increase with the continued expansion of the business scope of the Group as well as expansion of the business of BUCG. For the past several years since 2017, revenue from the provision of design, survey and consultancy service to BUCG Group was between RMB30.58 million to RMB78.39 million, but revenue for the provision of such services to BUCG is expected to increase to approximately RMB119.42 million, RMB108.99 million and RMB107.00 million for the three financial years ending 31 December 2022, respectively, taking into account the design, survey and consulting business obtained by the Company such as the design and construction general contracting (EPC) of the Hongxin Building construction project in the Ganjiang New District, information construction and services, cultural consulting and cultural design.

According to the AR 2018 and the AR 2017, the revenue contributed by the Group's design, survey and consultancy service segment increased from approximately RMB2,212.2 million in 2016 to approximately RMB3,514.2 million in 2018, representing a CAGR of approximately 26.04%. Given the aforementioned track record in revenue growth from the provision of design, survey and consultancy services, we consider the aforesaid estimated revenue projections in respect of the Group's design, survey and consultancy services to be reasonable.

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- (ii) Construction contracting services to be provided by the Group to BUCG, its subsidiaries and associates:

As disclosed in the Board Letter, the Company expects that the revenue from such services would increase with the commitment of the Group to expand the geographical coverage of construction contracting projects. For the past several years since 2017, revenue from the provision of construction contracting services to BUCG Group was between RMB25.72 million to RMB31.84 million, but revenue for the provision of such services to BUCG is expected to increase to approximately RMB308.50 million, RMB184.50 million and RMB81.00 million for the three financial years ending 31 December 2022, respectively, taking into account the construction contracting business obtained by the Company such as the Gao'an EPC.

According to the AR 2018 and the AR 2017, the revenue contributed by the Group's construction contracting segment increased from approximately RMB2,877.9 million in 2016 to approximately RMB3,672.0 million in 2018, representing a CAGR of approximately 12.96%. Given the aforementioned track record in revenue growth from the provision of construction contracting services, we consider the aforesaid estimated revenue projections in respect of the Group's construction contracting services to be reasonable.

- (iii) Other potential projects:

As disclosed in the Board Letter, investments by the PRC government, both the central and local governments, in urban infrastructure are expected to continue to grow steadily in the near future. Given the dominant position of BUCG in the construction general contracting and investment construction sector, the Company expects to continue to work closely with BUCG in the areas of urban development, municipal engineering and construction design consultation in the Beijing-Tianjin-Hebei region under Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement. To provide for further potential projects to be obtained by BUCG on the Company's behalf in the above circumstances, for prudence purpose, based on the communication and understanding between the Company and BUCG in respect of the future development plan of BUCG, and considering the historical growth of BUCG's business as well as the annual average income growth of the Group since 2016, the Company has included a buffer of 10% increase for the year ending 31 December 2021 based on the estimated annual cap for the year of 2020 and a 10% increase for the year of 2022 based on the estimated annual cap for the year of 2021 in its estimation of the annual caps of revenue from BUCG Group.

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(b) *The Expenditure Annual Caps*

As stated in the Board Letter, when estimating the annual caps for the expenditure to be incurred for the provision of integrated services by BUCG Group under the Integrated Services Framework Agreement for the next three years, the Company has made reference to the historical transaction figures as listed above and the new contracts obtained by the Group in 2019. The key factors considered are:

- (i) The expenditures incurred and to be incurred for the construction projects and PPP projects obtained by the Company:

As disclosed in the Board Letter, among these projects, the major projects include: PPP project of Line T2 of modern tramcar in Shunyi, PPP project of the Infrastructure of East Huangshan International Town, Part B of Kunming Rail Transit Line 4 PPP Project, PPP Project of Construction of Nanjing Pukou Linxi Road, renovation project for office area of headquarters, Beijing new airport express project and Guangzhou Metro Line 10 Project. The Company estimates that the expenditures incurred by all the projects for the six months ended 30 June 2019 are RMB41.28 million, and the estimated expenditures to be incurred by all the projects in the three financial years ending 31 December 2022 are RMB1,601.55 million, RMB1,202.95 million and RMB100.10 million, respectively.

Note: The scope of PPP project of the Infrastructure of East Huangshan International Town primarily includes 9 main roads and 11 secondary trunk roads in the town area, including construction projects such as under-water supply, drainage pipe network construction, construction of new water supply plant, construction of new wastewater treatment plant and construction project of Youyou Zhixin Park.

The scope of Kunming Rail Transit Line 4 Project includes the northwest and south-east lines connecting the main city and Chenggong, all of which are underground lines.

The scope of the PPP Project of Construction of Nanjing Pukou Linxi Road is a newly constructed municipal public utility, which includes three sub-projects in total, namely the construction of Linxi Road, the integrated utility tunnel project of Linxi Road (Qiaoxing Avenue to Fengzihe Road) and the municipal landscape supporting project of Linxi Road.

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- (ii) The expenditures to be incurred for potential EPC and PPP projects which the Company may obtain in the next three years:

As disclosed in the Board Letter, the Company has taken into account upcoming potential EPC and PPP projects which are already publicly known and which the Company would bid for and may obtain in the near future. For these projects, BUCG, its subsidiaries and associates will continue to provide integrated services to the Group and annual expenditures would be incurred for the provisions of such services. Among these projects, the Company estimates that it would be successful in obtaining one project in the next three financial years. These potential upcoming projects primarily include the PPP project of Line T2 of modern tramcar in Shunyi and the Huangshan Urban Tourism Railway Project in Anhui province, etc., with expenditures of approximately RMB162.18 million, RMB272.95 million and RMB200.77 million for the three financial years ending 31 December 2019 for the integrated services to be provided by BUCG, its subsidiaries and associates to the Group.

- (iii) Other potential urban transit projects in the next three financial years:

As noted from the Board Letter, as stated in the AR 2018, the General Office of the State Council of the People's Republic of China issued the Opinions on Further Strengthening Management of Urban Rail Transit Planning and Construction (Guo Ban Fa [2018] No. 52) as a new policy document, which raised the relevant economic indicators and declaration requirements for the construction of metro and light rails, and clarified the future trend of coordinated development of urban rail transit. Under such situation, the Company expects that investments by the government in urban transit projects will continue in the next three financial years which will provide more business opportunities for the Group. The Company will keep track of businesses in Beijing, Shaoxing, Huangshan and other areas in accordance with the strategic development plan of engineering sector. Projects such as PPP project of Line T2 of modern tramcar in Shunyi are currently in the stage of tracking. The construction period upon the commencement of the project will be concentrated in the next 2-3 years, which is likely to result in an increase in the expenditures of integrated services. In addition, the Company also expects that PPP Project of Shaoxing Rail Transit Line 1, new PPP projects and construction projects explored in Huangshan Joint Venture and other areas will result in increasing

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expenditures for the integrated services provided by BUCG Group to the Group. The Company has therefore included an annual increase of 10% on the estimation of annual caps for the expenditures for the years of 2021 and 2022 based on the estimation of annual cap for the previous year so as to accommodate further projects which the Group may successfully obtain during the first two years ending 31 December 2022 and which would require the integrated services of BUCG Group.

In view of the anticipated growth in the construction industry of the PRC due to favourable governmental policies as mentioned above and in the section and the corresponding increase in projects to be potentially obtained by the Company that would require the integrated services of BUCG Group, we are of the view that the buffer of 10% on the expenditures for each of the years of 2021 and 2022 based on the estimated annual cap for the previous year to be acceptable.

(c) *Our conclusion*

The Company estimates to secure approximately RMB427.92 million in revenue from integrated services provided by the Group to BUCG Group for the year ending 31 December 2020 and a projected increase of 10% for each year afterwards, as such the Revenue Annual Caps of RMB435 million, RMB479 million and RMB527 million for the years ending 31 December 2020, 2021 and 2022 respectively are fair and reasonable. The Company estimates to incur approximately RMB1763.73 million in expenditures for integrated services provided by the BUCG Group to the Group for the year ending 31 December 2020 and a projected increase of 10% for each year afterwards, as such the Expenditure Annual Caps of RMB1,770 million, RMB1,947 million and RMB2,142 million for the years ending 31 December 2020, 2021 and 2022 respectively are fair and reasonable. Having considered the (i) aforementioned; (ii) the industry overview outlined in sub-section 3 titled “Industry Overview” of section III Integrated Services Framework Agreement; and (iii) our work done of, among other things, obtaining and reviewing the Company’s estimation and calculation of the abovementioned annual cap amounts, which contained among others a breakdown of the projects referenced for the estimation, for the three years ending 31 December 2022, we are of the view that the Proposed Annual Caps are fair and reasonable.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group; and (ii) the terms of the Integrated Services Framework Agreement together with the Proposed Annual Caps are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of Company and the Independent Shareholders as a whole. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM in this regard.

Yours Faithfully,

For and on behalf of

Veda Capital Limited

Hans Wong

Chairman

Tina Hung

Director

Mr. Hans Wong is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 24 years of experience in investment banking and corporate finance.

Ms. Tina Hung is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 24 years of experience in corporate finance.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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, so far as was known to the Directors, the following persons (other than the Directors, Supervisors and the chief executive of the Company) had interests and short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Domestic Shares

Name of Shareholder	Capacity	Number of		Approximate	Approximate
		Domestic	Nature of	percentage	percentage
		Shares	interests	of total issued Domestic Share capital	of total issued share capital
Beijing Urban Construction Group Co., Ltd. ¹	Beneficial owner	571,031,118	Long position	59.44%	42.34%
Beijing Infrastructure Investment Co., Ltd. ²	Beneficial owner	87,850,942	Long position	9.14%	6.51%
Beijing Chengtong Enterprise Management Center (General Partnership)	Beneficial owner	76,000,000 ³	Long position	7.91%	5.64%

Notes:

1. Beijing Urban Construction Group Co., Ltd. was 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. Among which, 18,270,000 Domestic Shares were issued for connected subscriptions. For further details, please refer to the circular published by the Company on 7 December 2017 and the announcement published by the Company on 5 February 2018.

H Shares

Name of Shareholder	Capacity	Number of H Shares	Nature of interests	Approximate percentage of total issued H Share capital	Approximate percentage of total issued share capital
Amundi Asset Management	Investment Manager	58,155,000	Long position	14.99%	4.31%
Amundi Ireland Ltd.	Investment Manager	81,494,000	Long position	21.01%	6.04%
Beijing Infrastructure Investment Co., Ltd. ¹	Interest of controlled corporations	68,222,000	Long position	17.59%	5.06%
Beijing Infrastructure Investment (Hong Kong) Limited ¹	Beneficial Owner	68,222,000	Long position	17.59%	5.06%
Pioneer Investment Management Limited	Investment Manager	66,028,000	Long position	17.02%	4.90%
Pioneer Asset Management S.A.	Investment Manager	52,777,000	Long position	13.60%	3.91%
CRRC Group	Interest of controlled corporations ²	26,222,000	Long position	6.76%	1.94%

Notes:

- 1 Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司) indirectly holds long positions in 68,222,000 H Shares of the Company through its wholly-owned subsidiary, Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司).
- 2 CRRC Group (formerly known as CSR Group Limited) holds 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).

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

As at the Latest Practicable Date, the following Directors had interests and 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), which were required to be notified to the Company and the Hong Kong Stock Exchange, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO), or required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange as follows:

Name	Position	Nature of interests	Class of Shares	Number of Shares (Share)	Approximate percentage of total issued H Share capital (%)	Approximate percentage of total issued share capital (%)
Wang Hanjun	Executive Director and the General Manager	Personal interest	H Shares	48,000	0.01	0.004
Li Guoqing	Executive Director	Personal interest	H Shares	48,000	0.01	0.004

Note:

Mr. Wang Hanjun and Mr. Li Guoqing subscribed for 1,000,000 Domestic Shares, respectively, under a key employee stock ownership scheme on 29 December 2017.

Save as disclosed above, as at the Latest Practicable Date, none of the other Directors, Supervisors or the chief executive of the Company 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): (i) which were required to be notified to the Company and the Hong Kong Stock Exchange, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

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

As at the Latest Practicable Date, none of the Directors or the Supervisors had any direct or indirect interest in any asset which had been, since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors, Supervisors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. DIRECTORS' AND SUPERVISORS' POSITIONS IN SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Directors and the Supervisors were in the employment of those companies which had interests or short positions in the Shares or underlying Shares of the Company which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of the Director/Supervisor	Position in the specific company
Shi Yubin	Deputy general manager of Beijing Urban Construction Group Co., Ltd.
Tang Shuchang	Assistant to the general manager of Beijing Urban Construction Group Co., Ltd.
Wu Donghui	Assistant to the general manager of Beijing Urban Construction Group Co., Ltd.
Guan Jifa	Deputy general manager of Beijing Investment Company
Ren Yuhang	Secretary to the board of directors and general manager of investment and development department of Beijing Investment Company
Nie Kun	Supervisor of Beijing Urban Construction Group Co., Ltd.
Chen Rui	Managing director of Beijing Jun Lian Capital Management Co., Ltd.

7. 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 2018, being the date to which the latest published audited accounts of the Group were made up.

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 subsidiaries of the Company.

9. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
Veda Capital Limited	A corporate licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

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

10. EXPERT'S INTERESTS

As at the Latest Practicable Date, Veda Capital:

- (a) did not have any direct or indirect interest in any assets acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or the 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 40th Floor, Sunlight Tower, No. 248 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 LLP at 27/F, Jardine House, Connaught Place, Hong Kong during normal business hours on any business days from the date of this circular up to and including 27 December 2019:

- (a) the Integrated Service Framework Agreement;
- (b) the letter from the Independent Board Committee as set out on pages 26 to 27 of this circular;
- (c) the letter from Veda Capital as set out on pages 28 to 53 of this circular; and
- (d) the written consent of Veda Capital referred to in the paragraph headed “Expert’s Qualification and Consent” above.



北京城建设计发展集团股份有限公司

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

Beijing Urban Construction Design & Development Group Co., Limited

北京城建设计发展集团股份有限公司

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

(Stock Code: 1599)

**REVISED NOTICE OF THE 2019 SECOND
EXTRAORDINARY GENERAL MEETING**

REVISED NOTICE IS HEREBY GIVEN that the 2019 Second Extraordinary General Meeting (the “EGM”) of Beijing Urban Construction Design & Development Group Co., Limited (the “Company”) will be held at Conference Room 501, 5/F, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC at 2:30 p.m. on Monday, 30 December 2019, to consider and, if thought fit, approve the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the continuing connected transactions with Beijing Urban Construction Group Co., Ltd.:

“**THAT**, the Integrated Services Framework Agreement to be executed by the Company and Beijing Urban Construction Group Co., Ltd. and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2022 are hereby approved and confirmed; and executive director of the Company is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the renewal of Integrated Services Framework Agreement with such changes as he may consider necessary, desirable or expedient.”;

2. To consider and approve the appointment of Mr. Pei Hongwei as a non-executive director of the Company;
3. To consider and approve the appointment of Mr. Ma Xufei as an independent non-executive director of the Company;
4. To consider and approve the appointment of Mr. Hu Shengjie as a supervisor of the Company; and

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5. To consider and approve the appointment of Mr. Liang Wangnan as a supervisor of the Company.

By order of the Board

Beijing Urban Construction Design & Development Group Co., Limited

Shi Yubin

Chairman

Beijing, 5 December 2019

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 Shi Yubin, Tang Shuchang, Wu Donghui, Guan Jifa, Ren Yuhang, Su Bin, Yu Xiaojun and Ren Chong; and the independent non-executive directors of the Company are Wang Dexing, Yim Fung, Sun Maozhu, Liang Qinghuai and Qin Guisheng.

Notes:

1. The register of members of the Company will be closed from Saturday, 30 November 2019 to Monday, 30 December 2019, 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 Monday, 30 December 2019 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, 29 November 2019 for registration.
2. 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 shareholders.
3. 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.
4. In order to be valid, the revised proxy form published on 5 December 2019 (the "**Revised Proxy Form**") together with the notarised power of attorney or other documents of authorisation (if any) must be deposited at the secretariat of the board of directors of the Company at 12A, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC for holders of domestic shares and at the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares not less than 24 hours before the time stipulated for convening the EGM or any adjournment thereof (as the case may be).
5. 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 Tuesday, 10 December 2019 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 Tuesday, 10 December 2019 in hand, by post or by fax.

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6. 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).
7. A Shareholder who has not yet lodged the proxy form dispatched on 15 November 2019 (the “**Original Proxy Form**”) in accordance with the instructions printed thereon is requested to lodge the Revised Proxy Form if he or she wishes to appoint proxies to attend the EGM on his or her behalf. In this case, the Original Proxy Form should not be lodged.
8. A Shareholder who has already lodged the Original Proxy Form in accordance with the instructions printed thereon should note that:
 - (i) If no Revised Proxy Form is lodged in accordance with the instructions printed hereon, the Original Proxy Form will be treated as a valid Proxy Form lodged by the Shareholder if duly completed. The proxy appointed under the Original Proxy Form will also be entitled to vote in accordance with the instructions previously given by the Shareholder or at his/her discretion (if no such instructions are given) on any resolution properly put to the EGM, including the additional proposed resolutions as set out in the revised notice of EGM.
 - (ii) If the Revised Proxy Form is lodged in accordance with the instructions printed hereon at or before 2:30 p.m. on Sunday, 29 December 2019, the Revised Proxy Form will be treated as a valid Proxy Form lodged by the Shareholder if duly completed.
 - (iii) If the Revised Proxy Form is lodged after the closing time set out in the revised notice of EGM, the Revised Proxy Form will be deemed invalid. It will not revoke the Original Proxy Form previously lodged by the Shareholder. The Original Proxy Form will be treated as a valid Proxy Form if duly completed. The proxy appointed under the Original Proxy Form will also be entitled to vote in accordance with the instructions previously given by the Shareholder or at his/her discretion (if no such instructions are given) on any resolution properly put to the EGM (including the additional proposed resolutions as set out in the revised notice of EGM).
9. Shareholders are reminded that the completion and return of the Revised Proxy Form will not preclude them from attending and voting in person at the EGM or any adjournment thereof.