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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Beijing Urban Construction Design & Development Group Co., Limited, you should at once hand this circular together with the accompanying proxy form 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)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
NOTICE OF THE 2023 FIRST EXTRAORDINARY GENERAL MEETING**

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

**MERDEKA** 領智

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The EGM of the Company is to be held at Conference Room, Floor 1, Building A, 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 2:30 p.m. on Friday, 3 March 2023. A letter from the Board is set out on pages 5 to 27 of this circular. Notice convening the EGM is set out on pages 62 to 63 of this circular.

A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 28 to 29 of this circular. A letter from Merdeka containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 30 to 55 of this circular.

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

13 February 2023

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## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company as amended, modified or supplemented from time to time
“associate(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), 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 & Development Group Co., Limited (北京城建設計發展集團股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1599)
“Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法)
“connected person(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder(s)”	shall have the meaning ascribed to it under the Hong Kong 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 Shares

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## DEFINITIONS

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“EGM”	the 2023 First Extraordinary General Meeting of the Company to be convened on Friday, 3 March 2023 to consider and, if thought fit, approve the resolutions in relation to: (1) the renewal of the continuing connected transactions and (2) the proposed amendments to the Articles of Association
“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)”	holder(s) of H Shares
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Wang Guofeng, Mr. Qin Guisheng, Mr. Ma Xufei and Mr. Xia Peng, 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 revenue and expenditure of the continuing connected transactions contemplated thereunder, for the three years ending 31 December 2025
“Independent Financial Adviser” or “Merdeka”	Merdeka Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the revenue and expenditure of the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than those required by the Hong Kong Listing Rules to abstain from voting on the resolution to be proposed at the EGM in relation to the renewal of the Integrated Services Framework Agreement 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 16 December 2022
“Latest Practicable Date”	9 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Non-competition Agreement”	the non-competition agreement entered into between BUCG and the Company on 24 January 2014, as amended by the Supplemental Agreement I to the Non-competition Agreement on 16 June 2014, the Supplemental Agreement II to the Non-competition Agreement on 29 October 2015 and the Supplemental Agreement III to the Non-competition Agreement on 10 November 2021 signed by the parties
“PPP”	“Public-Private-Partnership” mode
“PRC” or “China”	the People’s Republic of China which, for the purpose of this circular only, shall exclude Hong Kong, 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
“subsidiary(ies)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“substantial shareholder(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules

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## DEFINITIONS

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“Supervisor(s)”	supervisor(s) of the Company
“Supplemental Agreement I to the Non-competition Agreement”	the supplemental agreement entered into between BUCG and the Company on 16 June 2014 to amend the non-competition agreement entered into between 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 between BUCG and the Company on 24 January 2014 as amended by the first supplemental agreement on 16 June 2014
“Supplemental Agreement III to the Non-competition Agreement”	the third supplemental agreement entered into between BUCG and the Company on 10 November 2021 to amend the Non-competition Agreement, which was entered into between BUCG and the Company on 24 January 2014 as amended by the first supplemental agreement on 16 June 2014 and the second supplemental agreement on 29 October 2015 respectively

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## LETTER FROM THE BOARD

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

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

**北京城建设计发展集团股份有限公司**

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

**(Stock Code: 1599)**

**Members of the Board:**

*Executive Directors:*

Wang Hanjun

Li Guoqing

*Non-executive Directors:*

Pei Hongwei (*Chairman*)

Shi Huaxin

Peng Dongdong

Li Fei

Wang Tao

Tang Qimeng

**Registered office:**

5 Fuchengmen North Street

Xicheng District

Beijing

PRC

**Principal place of business**

**in Hong Kong:**

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

*Independent non-executive Directors:*

Wang Guofeng

Qin Guisheng

Ma Xufei

Xia Peng

13 February 2023

*To the Shareholders:*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
NOTICE OF THE 2023 FIRST EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

On behalf of the Board, I invite you to attend the EGM to be held at Conference Room, Floor 1, Building A, 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 2:30 p.m. on Friday, 3 March 2023.

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## LETTER FROM THE BOARD

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References are made to the announcement of the Company dated 16 December 2022 in relation to, among other things, the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025 and the announcement dated 2 November 2022 in relation to the proposed amendments to the Articles of Association.

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

- (a) details on the renewal of continuing connected transactions;
- (b) details on the proposed amendments to the Articles of Association;
- (c) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the revenue and expenditure of the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025;
- (d) a letter from Merdeka, which sets out the opinions and recommendations of Merdeka to the Independent Board Committee and Independent Shareholders in relation to the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the revenue and expenditure of the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025;
- (e) a notice of the EGM; and
- (f) other information as required under the Hong Kong Listing Rules,

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.



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## LETTER FROM THE BOARD

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

#### 1. The Integrated Services Framework Agreement Proposed to be Renewed

As the Integrated Services Framework Agreement as well as the annual caps for the continuing connected transactions contemplated thereunder expired on 31 December 2022, the Company has, on 16 December 2022, renewed the Integrated Services Framework Agreement with BUCG for a further term of three years from 1 January 2023 to 31 December 2025 on the same terms and conditions, the principal terms of which are summarized as follows:

<b>Parties</b>	The Company  BUCG
<b>Term of the Agreement</b>	For a term of three years from 1 January 2023 to 31 December 2025
<b>Principal Terms and Conditions</b>	Pursuant to the Integrated Services Framework Agreement proposed to be renewed:  (a) The integrated services to be provided by BUCG, its subsidiaries and/or associates <sup>1</sup> to the Group include but are not limited to engineering construction related services (such as subway construction and industrial park redevelopment), including but not limited to provision of labor performing basic physical work in engineering projects, supply of raw materials used in engineering construction, construction machinery equipment leasing; and the above related training services and other services <sup>2</sup> required by the Group to carry out its business.

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<sup>1</sup> The associates of BUCG include but are not limited to Libo International Building Materials Exhibition (Beijing) Co., Ltd. and Beijing National Speed Skating Pavilion Management Co., Ltd. Such list is not exhaustive. The number of associates of BUCG may further increase in the future, and the connected transactions under the Integrated Services Framework Agreement may be conducted between its associates and the Company during the three years ending 31 December 2025.

<sup>2</sup> The provision of integrated services by BUCG under the Integrated Services Framework Agreement only involves the basic elements of the construction of projects (such as labor staff and raw materials, etc., not construction of projects itself), which are not the core business of the Group. There is no overlap or competition with the principal business of the Group.

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## LETTER FROM THE BOARD

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- (b) The integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates include but are not limited to: (i) project survey, design and consultancy services (such as regional planning and designing and geotechnical investigation), including but not limited to measurement, test, inspection of construction drawings, as well as the above related 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)<sup>3</sup> 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.
- (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.

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<sup>3</sup> According to the requirements of the Supplemental Agreement II to the Non-competition Agreement, if the Company is restricted from bidding for an engineering and construction project by reason of: (1) the Company's previous provision of design or consultancy services at the preparatory stage or for supervisory work of such project restricting the Company from bidding for the engineering and construction work of the project; and/or (2) the special bidding requirements of such project, but only to the extent that the Company alone cannot meet the bidding requirements in relation to the bidder's net assets, total assets, grading level and/or qualification level, and if it is for the interests of the Company and the requirements for bidding are satisfied, BUCG agrees to leverage its advantages to bid for or jointly with the Company bid for a project, and then subcontract part of the project to the Group pursuant to the requirements of Clause 3.8 of the Supplemental Agreement II to the Non-competition Agreement. For details, please refer to the announcement of the Company dated 29 October 2015 and the circular of the Company dated 11 December 2015.

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## LETTER FROM THE BOARD

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- (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, sub-contract 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 non-profitable basis for BUCG (that is, the Company entrusts BUCG which possesses bidding qualification to submit a tender on its behalf, and the pricing of the projects is subject to the market price finally determined during the bidding process. If the awarded projects are obtained, BUCG subcontracts all the awarded projects to the Company, and therefore the awarded projects are carried out by the Company and BUCG does not generate any profit in respect of the awarded projects).

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## LETTER FROM THE BOARD

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### Pricing Policy

Pursuant to the Integrated Services Framework Agreement proposed to be renewed, the prices of the integrated services (including but not limited to engineering construction related services) to be provided by BUCG, its subsidiaries and/or associates to the Group shall be determined with reference to government guidance prices and market factors, but shall not be less favourable than the terms and prices provided by independent third parties to the Group in respect of the same or similar services in any event:

- (a) The government guidance prices represent the pricing range or level for certain categories of services as stipulated by the central government, provincial governments, local governments, industrial associations or other competent authorities, and the prices shall be determined by the parties through negotiation with reference to such pricing range or level. The Company will continue to keep itself updated with the latest developments of government guidance prices. If there is any document issued by the government to regulate the services in which the Company is involved and set out specific price range or level, the prices will be determined within the range of government guidance prices stipulated in such document. In respect of the construction contracting services, the price shall be determined with reference to the government guidance prices set out in the Beijing Construction Project Pricing Basis – Urban Rail Transit Project Budget Quota (《北京市建設工程計價依據–城市軌道交通工程預算定額》) issued by the Beijing Municipal Commission of Housing and Urban-Rural Development and the Information on Project Costs (《工程造價信息》) issued by the local commission of housing and urban-rural development.

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## LETTER FROM THE BOARD

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- (b) In addition to government guidance prices, the Company will also make reference to the market prices after taking into account project scale, technical difficulty, construction period, labor cost and other factors specific to different projects. The larger the project scale, the higher the technical difficulty and the longer the construction period, the higher the overall labor cost to be invested; the smaller the project scale, the lower the technical difficulty and the shorter the construction period, the lower the overall labor cost to be invested. (“Market prices” means (1) the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the place where such services are provided or areas in proximity to such place, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions; or (2) where item (1) is not applicable, the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the PRC, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions obtained by the Company 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](http://www.zbytb.com)), and the China Procurement and Bidding Network (中國採購與招標網<http://www.chinabidding.com.cn/>).

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## LETTER FROM THE BOARD

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Pursuant to the Integrated Services Framework Agreement proposed to be renewed, the prices of the integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates (including but not limited to project survey, design and consultancy services) shall be determined through bidding or agreement:

- (a) If the Company intends to bid for a particular project, the marketing department will firstly assess the cost and price of the project and then develop a plan, which will be submitted to the relevant responsible department heads for approval. If such approval is granted, the Company will prepare the bid document required by the project owner. According to the relevant PRC rules and regulations in relation to the bidding procedures for the specific services, the project owner shall engage professionals to evaluate the bidders and the corresponding bid documents. Finally, the project owner shall determine the successful bidder taking into account certain factors (including but not limited to the qualifications of the bidders and the terms and total quotation offered by the bidders) and with reference to the professional opinions.
- (b) “Agreed prices” shall be calculated based on “reasonable costs plus reasonable profits” and determined with reference to “market prices”, 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.

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## LETTER FROM THE BOARD

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“Reasonable costs” means costs (including sales tax and surcharge) which are calculated based on the investment in labour, equipment, relevant materials and others, agreed by both parties through negotiation and permitted by the national financial accounting system; “Reasonable profits” means profits calculated based on market practices and reasonable costs. (The Company will estimate the costs and prices of projects with reference to the calculation methods set out in the relevant charging guidelines issued by the government or industrial associations. For project consultancy services, the Company will make reference to the Guidelines on Charging for Preliminary Consulting Services for 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). For project contracting related services, the Company will make reference to the Information on Project Costs (《工程造價信息》) regularly issued by local commission of housing and urban-rural development, which sets out recommended prices of construction materials of specific categories.)

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## LETTER FROM THE BOARD

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In order to ensure that the prices are fair and reasonable and 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 will make reference to the market prices after taking into account project scale, technical difficulty, construction period, labor cost and other factors specific to different projects. The larger the project scale, the higher the technical difficulty and the longer the construction period, the higher the overall labor cost to be invested; the smaller the project scale, the lower the technical difficulty and the shorter the construction period, the lower the overall labor cost to be invested. (“Market prices” means (1) the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the place where such services are provided or areas in proximity to such place, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions; or (2) where item (1) is not applicable, the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the PRC, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions obtained by the Company 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](http://www.zbytb.com)), and the China Procurement and Bidding Network (中國採購與招標網 <http://www.chinabidding.com.cn>)).



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## LETTER FROM THE BOARD

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According to the audited financial information of the Company for the past three years, the overall gross profit margin of project survey, design and consultancy services is approximately 30% to 35% of the contract amount, and the overall gross profit margin of project contracting services is approximately 8% to 10% of the contract amount. For the past three years ended 31 December 2022, the overall gross profit margin of the relevant signed projects of the Company fell within the aforesaid ranges. For the relevant projects for the three years ending 31 December 2025, the Company expects that the above ranges of overall gross profit margin will also be applicable.

- (c) For the project subcontracting arrangements and/or the provision of professional services (if necessary) by the Group to BUCG under Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement, the prices shall be determined by the following methods:
  - (i) The prices of the subcontracting arrangements shall be the prices of the part of the awarded contracts of BUCG which are subcontracted to the Group on a non-profitable basis for BUCG under Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement; and/or
  - (ii) The prices of the professional services shall be the prices of the awarded contracts of BUCG or (if applicable), when there are third parties other than the Group that are awarded some parts of the afore-mentioned same contracts of BUCG, the remaining prices of the awarded contracts after deducting the subcontracting prices offered by BUCG to third parties and the prices of the above subcontracting arrangements (both on a non-profitable basis for BUCG).

The implementation of the above pricing policy enables the Company to determine the basis of pricing for relevant transactions while protecting the reasonable interests of the Company.

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## LETTER FROM THE BOARD

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**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.

## 2. Proposed Annual Caps for the Three Years Ending 31 December 2025

### 2.1 *Historical annual caps for the three years ended 31 December 2022 and historical transaction amounts*

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 past three years ended 31 December 2022:

	<b>Historical annual caps for the year ended</b>		
	<b>31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
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

## LETTER FROM THE BOARD

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 2021 and the six months ended 30 June 2022:

	<b>Approximate historical transaction amounts for the financial year/six-month period ended</b>		
	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>30 June 2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Revenue generated by the Group from providing integrated services to BUCG, its subsidiaries and/or associates	358	313	128
Expenditure incurred by the Group for provision of integrated services by BUCG, its subsidiaries and/or associates	548	385	10 <sup>4</sup>

### ***2.2 Proposed annual caps for the three years ending 31 December 2025***

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 2025 as follows:

	<b>Proposed annual caps for the year ending</b>		
	<b>31 December 2023</b>	<b>31 December 2024</b>	<b>31 December 2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Revenue to be generated by the Group from providing integrated services to BUCG, its subsidiaries and/or associates	730	803	883.3
Expenditure to be incurred by the Group for provision of integrated services by BUCG, its subsidiaries and/or associates	910	1,001	1,101.1

From 1 January 2023 until the date of the EGM, the Group has not and will not enter into any continuing connected transactions with BUCG, its subsidiaries and/or associates that would be subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

<sup>4</sup> As the PPP project of the Infrastructure of Donghuangshan International Town commenced the operation after the end of the construction period, the transaction amounts decreased.

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## LETTER FROM THE BOARD

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### 2.3 Basis of determination of the proposed annual caps

#### 2.3.1 Revenue

There are 137 existing projects entered into between the Group and BUCG as at the Latest Practicable Date and 59 potential projects expected to be obtained. 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, in addition to the above historical transaction figures, the Company has also considered, among other things, the following key factors:

- (a) **Design, survey and consultancy services to be provided by the Group 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. According to the summary list of existing and potential projects between the Group and BUCG, 161 existing and potential projects are relating to design, survey and consultancy services, consisting of 122 projects obtained as at the Latest Practicable Date and 39 potential projects expected to be obtained. Revenue from the provision of such services to BUCG is expected to increase to approximately RMB305.7 million, RMB225.6 million and RMB237.7 million for the three financial years ending 31 December 2025, respectively.
- (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. According to the summary list of existing and potential projects between the Group and BUCG, there are 35 existing and potential projects relating to construction contracting services, consisting of 15 projects obtained as at the Latest Practicable Date and 20 potential projects expected to be obtained. Revenue from the provision of such services to BUCG is expected to increase to approximately RMB422.2 million, RMB441.1 million and RMB443.6 million for the three financial years ending 31 December 2025, respectively.
- (c) **Other potential projects:** Investments by the PRC government, including 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 and construction design consultation in the Beijing-Tianjin-Hebei region, in the circumstances specified in 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 such circumstances, on account of the future development plan

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## LETTER FROM THE BOARD

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and average annual growth in revenue and business of the Company and BUCG (the annual business growth rate of the Company and BUCG for the past three years is approximately 10%), the Company has included a buffer of 10% increase for the year ending 31 December 2024 based on the estimated annual cap for the year of 2023 and a 10% increase for the year of 2025 based on the estimated annual cap for the year of 2024 in its estimation of the annual caps of revenue from BUCG, its subsidiaries and/or associates. The Board of the Company considers that the setting of such buffers are fair and reasonable.

### 2.3.2 Expenditure

There are 34 existing projects entered into between the Group and BUCG as at the Latest Practicable Date and 9 potential projects expected to be obtained. When estimating the annual caps for the expenditure to be incurred by the Group 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, in addition to the above historical transaction figures, the Company has also considered, among other things, the following key factors:

- (a) **The expenditures incurred and to be incurred for the construction projects and PPP projects obtained by the Company:** According to the summary list of existing and potential projects between the Group and BUCG, there are 34 existing projects obtained. Among these projects, the major projects include: Beijing Metro New Airport Express, Beijing Metro Lines 14, 17 and 22, Lhasa Node Renovation Project, PPP Project of Chongqing Bishan-Tongliang Line and Part B of Kunming Rail Transit Line 4 PPP Project. The estimated expenditures to be incurred for the three financial years ending 31 December 2025 are RMB494.12 million, RMB350.46 million and RMB207.56 million, respectively.
- (b) **The expenditures to be incurred for potential construction projects, EPC and PPP projects which the Company may obtain in the next three years:** According to the summary list of existing and potential projects between the Group and BUCG, there are 9 potential projects expected to be obtained. 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. Among these projects, the Company estimates that it would be successful in obtaining nine projects in the next three financial years. These potential upcoming projects include the general contracting projects for rail transit in Beijing and Hainan, with an estimated aggregate construction amount of approximately RMB6,000 million, and estimated expenditures of approximately RMB408.45 million, RMB578.05 million and RMB719.80 million for the three financial years ending 31 December 2025, for the integrated services to be provided by BUCG, its subsidiaries and associates to the Group.

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## LETTER FROM THE BOARD

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- (c) **Other potential urban rail transit projects in the next three financial years:** As stated in the Company's 2021 annual report, the National Development and Reform Commission issued the development plans for rail transit in multiple cities and areas and various cities and areas also promulgated new policies, showing that rail transit still maintains a relatively high potential for development, and urban express rail/urban (suburban) railways will become a new mode of transportation that effectively links between urban and suburban areas/urban agglomerations, and the importance and demand of urban express rail have significantly increased. Under such situation, the Company expects that investments by the government in urban rail transit projects will continue in the next three financial years which will provide more business opportunities for the Group resulting in increased expenditures for the integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group. On account of the future development plan and average annual growth in revenue and business of the Company and BUCG (the annual business growth rate of the Company and BUCG for the past three years is approximately 10%), the Company has therefore included an annual increase of 10% on the estimation of annual caps for the expenditures for the years of 2024 and 2025 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 two years ending 31 December 2024 and which would require the integrated services of BUCG, its subsidiaries and associates. The Board of the Company considers that the setting of such buffer is fair and reasonable.

In considering the proposed annual caps for the next three years ending 31 December 2025, the Company has made reference to the historical transaction figures. However, affected by the pandemic and as the PPP project of the Infrastructure of Donghuangshan International Town commenced the operation after the end of the construction period, the historical transaction figures in the past did not meet the previous expectation. There is no seasonality or generality for these circumstances. For the next three years ending 31 December 2025, comparing to the historical transaction figures, the Company will set the proposed annual caps based on the figures of projects currently entered into and expected to be obtained. The Board of the Company considers that determining the annual caps on such basis is in line with the actual business needs of the Company and is fair and reasonable and in the interests of the Company and the shareholders as a whole.

### ***2.4 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 Company has formulated relevant Administrative Measures on Connected Transactions, 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 implements strict regulation from aspects of identification of connected transactions, procedure of review and approval, report, supervision and management and related information disclosure.

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## LETTER FROM THE BOARD

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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) 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; the Legal and Audit Department and the Financial Department of the Company shall assist in reviewing and controlling the specific terms, conditions and actual transaction amounts of such continuing connected transactions.
- (b) Senior management of the Company and its subsidiaries 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 to 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 then market price of same type of services, as well as evaluating the fairness of the transaction terms and pricing terms, and reporting relevant information to the Board in time.
- (c) 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.
- (d) 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, 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 and training services from BUCG, its subsidiaries and/or

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## LETTER FROM THE BOARD

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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 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 BUCG, its subsidiaries and/or associates in the provision of relevant services, and enable the Group to enhance its competitiveness.

The Directors (including the independent non-executive Directors who have taken into account 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. Hong Kong 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 Hong Kong 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 constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong 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 Hong Kong Listing Rules.



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## LETTER FROM THE BOARD

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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 Hong Kong Listing Rules.

As Mr. Pei Hongwei is a director, general manager and deputy secretary of the Party Committee of BUCG and Ms. Shi Huaxin is the head of the capital operation department of BUCG, 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.

### **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 and design and consultation businesses and whose ultimate beneficial owner is the People's Government of Beijing Municipality.

## LETTER FROM THE BOARD

### III. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 2 November 2022 in relation to the proposed amendments to the Articles of Association. In order to further improve the corporate governance and reflect the latest shareholding structure of the Company, it is proposed to amend the existing articles of association of the Company (the “**Existing Articles of Association**”) in accordance with the Company Law.

Details of the amendments to the Existing Articles of Association of the Company are as follows:

<b>Existing Articles</b>	<b>Amended Articles</b>
<b>CHAPTER I GENERAL PROVISIONS</b>	<b>CHAPTER I GENERAL PROVISIONS</b>
<p><b>Article 8</b></p> <p>.....</p> <p>Other senior management members referred to in the preceding paragraph include the deputy general manager, chief engineer, chief economist and chief accountant, chief planner and secretary to the board of directors.</p>	<p><b>Article 8</b></p> <p>.....</p> <p>Other senior management members referred to in the preceding paragraph include the deputy general manager, chief engineer, chief economist and chief accountant, chief planner, <b>chief architect, general counsel</b> and secretary to the board of directors.</p>
<b>CHAPTER III SHARES, SHARE TRANSFER AND REGISTERED CAPITAL</b>	<b>CHAPTER III SHARES, SHARE TRANSFER AND REGISTERED CAPITAL</b>
<p><b>Article 20</b> The share capital structure of the Company shall be as follows: 1,348,670,000 ordinary shares, of which 960,733,000 shares are domestic shares, among which, 571,031,118 shares are held by Beijing Urban Construction Group Co., Ltd.; 87,850,942 shares are held by Beijing Infrastructure Investment Co., Ltd.; 76,000,000 shares are held by Beijing Chengtong Enterprise Management Center (general partnership) (北京城通企業管理中心(普通合夥)); 46,000,000 shares are held by Beijing Jinguofa Equity Investment Fund (Limited Partnership); 43,925,470 shares are held by Beijing Rail Transit Construction and Management Co., Ltd.; 43,925,470 shares are held by Beijing Gonglian Highway Connect Line Co., Ltd.; 46,000,000 shares are held by Beijing Jinguochuang Advantage Industry Fund (Limited Partnership) (北京國創優勢產業基金(有限合夥)); 23,184,000 shares are held by Beijing Zhongtai Investment Management Co., Ltd.; 22,816,000 shares are held by Beijing You Neng Shang Zhuo Venture Capital Fund (LLP). The remaining 387,937,000 shares are H shares.</p>	<p><b>Article 20</b> The share capital structure of the Company shall be as follows: 1,348,670,000 ordinary shares, of which 960,733,000 shares are domestic shares, among which, 571,031,118 shares are held by Beijing Urban Construction Group Co., Ltd.; 87,850,942 shares are held by Beijing Infrastructure Investment Co., Ltd.; 76,000,000 shares are held by Beijing Chengtong Enterprise Management Center (general partnership) (北京城通企業管理中心(普通合夥)); 46,000,000 shares are held by Beijing Jinguofa Equity Investment Fund (Limited Partnership); 43,925,470 shares are held by Beijing Rail Transit Construction and Management Co., Ltd.; 43,925,470 shares are held by Beijing Gonglian Highway Connect Line Co., Ltd.; 46,000,000 shares are held by Beijing Jinguochuang Advantage Industry Fund (Limited Partnership) (北京國創優勢產業基金(有限合夥)); 23,184,000 shares are held by Beijing <del>Zhongtai Investment Management</del> <b>Shengda Xingye Real Estate Development</b> Co., Ltd. (北京盛達興業房地產開發有限公司); 22,816,000 shares are held by Beijing You Neng Shang Zhuo Venture Capital Fund (LLP). The remaining 387,937,000 shares are H shares.</p>

**LETTER FROM THE BOARD**

<b>Existing Articles</b>	<b>Amended Articles</b>
<b>CHAPTER XV QUALIFICATIONS AND OBLIGATIONS OF THE DIRECTORS, SUPERVISORS, GENERAL MANAGER, AND OTHER SENIOR MANAGEMENT MEMBERS OF THE COMPANY</b>	<b>CHAPTER XV QUALIFICATIONS AND OBLIGATIONS OF THE DIRECTORS, SUPERVISORS, GENERAL MANAGER, AND OTHER SENIOR MANAGEMENT MEMBERS OF THE COMPANY</b>
	<p><u>Article 154 The Company adopts a general counsel system to further exert the function of the general counsel in legal review and supervision of operation and management, thereby facilitating the legal operation and compliance management of the Company.</u></p> <p><u>The general counsel is the specific leader of the Company’s rule of law efforts and shall be responsible for legal affairs of the Company by coordinating and handling the decision-making, operation, and management of the Company. The general counsel reports directly to the general manager and the chairman and is accountable to the Board.</u></p> <p><u>Significant matters to be discussed and considered at a decision-making meeting of the Company that requires legal review and verification must be submitted to the general counsel for legal review in advance. If the general counsel considers that such matters involve material risks, submission to the decision-making meeting shall be deferred. The general counsel shall attend the meetings of the party committee and the Board and participate in the general manager’s work meetings to provide independent legal opinions on the legal issues related to the matters such as production and operation under consideration.</u></p>

*Note:* Due to the addition or deletion of chapters, the serial numbers involved in the relevant articles of this Articles of Association are also adjusted accordingly, and will not be explained separately. In the event of any inconsistency between the Chinese and English versions of this announcement, the Chinese version shall prevail.

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## LETTER FROM THE BOARD

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### IV. EGM

The EGM will be held at Conference Room, Floor 1, Building A, 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 2:30 p.m. on Friday, 3 March 2023 in sequence, to consider and approve: the resolutions in relation to (1) the continuing connected transactions with BUCG and (2) the proposed amendments to the Articles of Association. Notice convening the EGM is set out on pages 62 to 63 in this circular.

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

In order to determine the list of Shareholders who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 28 February 2023 to Friday, 3 March 2023, both days inclusive, during which period no transfer of Shares will be registered.

For the identification of Shareholders who are qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the registered address of the Company (for Domestic Shareholders), for registration not later than 4:30 p.m. on Monday, 27 February 2023. Shareholders whose names appear on the register of members of the Company on Friday, 3 March 2023 will be entitled to attend and vote at the EGM.

### V. VOTES BY WAY OF POLL

According to the Hong Kong Listing Rules and the Articles of Association, the resolutions set out in the notice of the EGM will be voted on by way of poll. The poll results will be posted on the website of the Company at [www.bjuud.com](http://www.bjuud.com) and the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) upon the conclusion of the EGM.

In accordance with the Hong Kong Listing Rules, BUCG, its subsidiaries and/or associates are required to abstain from voting on the resolutions in respect of the renewal of continuing connected transactions at the EGM. As at the Latest Practicable Date, BUCG held 571,031,118 Domestic Shares in the Company, representing an aggregate of 42.34% of the total issued Shares of the Company.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, having made all reasonable enquiries, save for BUCG, no other Shareholder has a material interest in the above resolutions and is required to abstain from voting on the relevant resolutions to be proposed at the EGM.

### VI. RECOMMENDATIONS

Your attention is drawn to: (a) the letter from the Independent Board Committee, which sets out its recommendations to the Independent Shareholders in respect of the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for revenue and expenditure of the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025, on page 28 to page 29 of this circular; (b) the letter from Merdeka, which sets out its opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the revenue and expenditure of the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025, on page 30 to page 55 of this circular; and (c) further information set out in the appendices to this circular.

The Directors (including independent non-executive Directors) are of the view that the resolutions in relation to (1) the continuing connected transactions with BUCG and (2) the proposed amendments to the Articles of Association 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 view of the Independent Board Committee in respect of the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the revenue and expenditure of the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025 are 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**

**Pei Hongwei**

*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

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

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1599)**

*Independent non-executive Directors:*

Wang Guofeng

Qin Guisheng

Ma Xufei

Xia Peng

13 February 2023

*To the Independent Shareholders:*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the circular of the Company dated 13 February 2023 (the “**Circular**”) of which this letter forms part. Terms defined in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise 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 revenue and expenditure of the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025 so far as the Independent Shareholders are concerned, whether it is entered on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Merdeka has been appointed as the Independent Financial Adviser by the Board to advise and recommend the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the terms of the Integrated Services Framework Agreement proposed to be renewed and proposed annual caps for the revenue and expenditure of the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in letter from Merdeka on pages 30 to 55 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 27 of the Circular and the additional information set out in the appendices to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account (i) the terms of the Integrated Services Framework Agreement proposed to be renewed and proposed annual cap of the revenue and expenditure of the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025; and (ii) the advice and recommendation of Merdeka and the principal factors and reasons considered by it, we consider the Integrated Services Framework Agreement proposed to be renewed is in the ordinary and usual course of business of the Group after arm's length negotiation between all parties and on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions, for both revenue and expenditure, contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms, and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the terms of the Integrated Services Framework Agreement proposed to be renewed and proposed annual caps for the revenue and expenditure of the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Wang Guofeng**

**Qin Guisheng**

**Ma Xufei**

**Xia Peng**

*Independent Non-executive Directors*

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## LETTER FROM MERDEKA

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*The following is the full text of the letter from Merdeka Corporate Finance Limited 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 1108-1110, 11/F.  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

13 February 2023

*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 existing Integrated Services Framework Agreement (the “**Existing Agreement**”) including the existing revenue annual caps (the “**Existing Revenue Annual Caps**”) and existing expense annual caps (the “**Existing Expense Annual Caps**”, together with the Existing Revenue Annual Caps as the “**Existing Annual Caps**”) proposed to be renewed under the Integrated Services Framework Agreement and the proposed revenue annual caps (the “**Proposed Revenue Annual Caps**”) and proposed expense annual caps (the “**Proposed Expense Annual Caps**”, together with the Proposed Revenue Annual Caps as the “**Proposed Annual Caps**”) for the three years ending 31 December 2025. 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 February 2023 (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 Existing Annual Caps expired on 31 December 2022, subject to the approval by the Independent Shareholders at the EGM to be convened, the Company has, on 16 December 2022, renewed the Existing Agreement and the Existing Annual Caps through the Integrated Services Framework Agreement along with the Proposed Annual Caps, with BUCG for a further term of three years from 1 January 2023 to 31 December 2025 for the Continuing Connected Transactions contemplated thereunder. Details of the Integrated Services Framework Agreement are set out in the section headed “II. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS: INTEGRATED SERVICES FRAMEWORK AGREEMENT” in the Board Letter.



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## LETTER FROM MERDEKA

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### Hong Kong Listing Rules Implications

As at the Latest Practicable Date, 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 Hong Kong Listing Rules. Accordingly, the Integrated Services Framework Agreement entered into between the Group and BUCG and the transactions contemplated under such agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Revenue Annual Caps for the integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates (collectively, “**BUCG 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 Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Expense Annual Caps for the integrated services to be provided by BUCG Group 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 Hong Kong Listing Rules.

As Mr. Pei Hongwei is a director, general manager and deputy secretary of Party Committee of BUCG and Ms. Shi Huaxin is the head of the capital operation department of BUCG, they are deemed to have material interest in the Continuing Connected Transactions 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 and is required to abstain from voting on the relevant resolutions at the Board meeting.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wang Guofeng, Mr. Qin Guisheng, Mr. Ma Xufei, Mr. Xia Peng has been established to advise the Independent Shareholders in respect of the Continuing Connected Transactions and the Proposed Annual Caps.

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

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## LETTER FROM MERDEKA

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### OUR INDEPENDENCE

In the last two years from the date of our appointment, except for the appointment as the independent financial adviser to the then independent board committee of the Company relating to continuing connected transactions regarding the provision of construction survey, design, and consultancy services as well as construction contracting services by the Group to Beijing Infrastructure Investment Co., Ltd., its subsidiaries and/or its associates, details of which have been set out in the circular of the Company dated 7 May 2021, we have no other relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. 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.

### 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 Company (the “**Representatives**”) and the management of the Company (the “**Management**”); 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, the Management and the Representatives, 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 and the Management 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, the Management and the Representatives.

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## LETTER FROM MERDEKA

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This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Continuing Connected Transactions and the Proposed Annual Caps, 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.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### I. Background information of the parties to the Integrated Services Framework Agreement

##### a. Information on the Company and the Group

As set out in the Board Letter, 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.

The information below sets out the summarised financial information of the Group (i) for the financial year ended 31 December 2020 (“FY2020”) and 2021 (“FY2021”) as extracted from the annual report of the Company for the years ended 31 December 2020 (the “2020 Annual Report”) and 2021 (the “2021 Annual Report”); and (ii) for the six months ended 30 June 2021 (“HY2021”) and 2022 (“HY2022”) as extracted from the interim report of the Company for the six months ended 30 June 2022 (the “2022 Interim Report”):

##### *Consolidated statement of profit or loss*

	For the year ended		For the six months ended	
	31 December		30 June	
	2021	2020	2022	2021
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Audited)	(Audited and restated)	(Unaudited)	(Unaudited and restated)
<b>CONTINUING OPERATIONS</b>				
Revenue	9,501,471	9,453,562	4,466,225	4,604,878
– Design, survey and consultancy	4,102,495	3,666,892	2,015,397	1,904,171
– Construction contracting	5,398,976	5,784,784	2,450,828	2,700,707
Gross profit	1,761,173	1,731,485	706,937	812,719
Profit for the year/period from continuing operations	785,101	783,098	487,454	378,876

## LETTER FROM MERDEKA

	For the year ended		For the six months ended	
	31 December		30 June	
	2021	2020	2022	2021
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Audited)	(Audited and restated)	(Unaudited)	(Unaudited and restated)
<b>DISCONTINUED OPERATION</b> (Note)				
Profit for the year/period from the discontinued operation	49,132	24,454	–	28,256
<b>CONTINUING AND DISCONTINUED OPERATIONS</b>				
Total revenue	10,488,110	9,984,891	4,466,225	4,822,047
– Design, survey and consultancy	4,102,495	3,666,892	2,015,397	1,752,612
– Construction contracting	6,385,615	6,317,999	2,450,828	3,069,435
Total gross profit	2,010,397	1,896,527	706,937	882,499
Profit for the year/period	834,233	807,552	487,454	407,132

### *Consolidated statement of financial position*

	30 June 2022	31 December 2021
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited and restated)
Total Assets	22,546,755	24,463,868
– investments in joint ventures	1,971,299	1,876,372
– non-current contract assets	5,132,678	5,305,972
– current trade and bills receivables	3,900,944	4,069,377
– current contract assets	4,161,760	3,842,391
– cash and bank balances	3,103,872	4,040,356

#### *Note:*

As disclosed in the 2021 Annual Report, given the “discloseable transaction and connected transaction relating to the capital increase in Beijing Urban Construction Zhikong Technology Co., Ltd. (“BUCZT”) and deemed disposal of shareholding interests of BUCZT (the “**Deemed Disposal**”)” passed by poll at the Group’s 2021 first extraordinary general meeting on 29 December 2021, upon the completion of such disposal, the shareholding percentage of the Group would reduce from 60% to approximately 30.83%, and BUCZT would be no longer a subsidiary of the Company. On 4 January 2022, BUCZT completed the corresponding procedures.

According to the circular of the Company dated 10 December 2021 (the “**Deemed Disposal Circular**”), BUCZT was incorporated in the PRC on 10 October 2014 with registered capital of RMB70 million, and the principal business of BUCZT is mainly centred on the urban rail transit cloud-based transportation automation system, to provide research and development, production and sales of products such as communication system, signal system, integrated monitoring system, automatic fare collection system, screen door system and other related products and integration services in the urban rail transit industry, which historically is in the relationship of general contracting and subcontracting and the upstream and downstream relationship with the business of the Company. For further details on the Deemed Disposal, please refer to the announcement of the Company dated 10 November 2021 and the Deemed Disposal Circular.

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## LETTER FROM MERDEKA

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	<b>30 June 2022</b> <i>(RMB'000)</i>  <i>(Unaudited)</i>	<b>31 December 2021</b> <i>(RMB'000)</i>  <i>(Audited and restated)</i>
Total Liabilities	15,960,910	18,053,788
– <i>current trade and bills payables</i>	4,261,824	4,495,346
– <i>current other payables and accruals</i>	3,966,625	4,775,119
– <i>current interest-bearing bank and other borrowings</i>	2,780,582	2,377,549
– <i>non-current interest-bearing bank and other borrowings</i>	4,410,936	4,818,576
Net Assets	6,585,845	6,410,080

### ***FY2020 and FY2021***

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 engineering construction. For FY2021, the Group recorded a total revenue of approximately RMB10,488 million, representing an increase of approximately RMB503 million or approximately 5.04% compared to approximately RMB9,985 million for FY2020. The primary reason of such increase is that the Company adhered to design leadership and investment pulling, promoted the entire industrial chain layout of urban rail transit and resource synergy, vigorously expanded the scope of design, survey and consultancy segment, strengthened the overall promotion of production and contract performance, and continuously enhanced its service capabilities, driving the Company's revenue to grow steadily, with a view to ensuring the completion of major projects, such as the Winter Olympics branch line, bid 03 of Beijing Line 11, bid 05 of Line 14, bids 19 and 24 of Line 17, on schedule.

For FY2021, the total gross profit of the Group was approximately RMB2,010 million, representing an increase of approximately RMB113 million or approximately 5.96% compared to approximately RMB1,897 million for FY2020, while the consolidated gross margin slightly increased to approximately 19.16% from approximately 19.00% for FY2020. The Group's net profit for FY2021 was approximately RMB834 million, representing an increase of approximately RMB26 million or approximately 3.22% compared to approximately RMB808 million for FY2020.

### ***HY2021 and HY2022***

According to the 2022 Interim Report, the Group recorded a total revenue of approximately RMB4,466 million for HY2022, representing a decrease of approximately RMB356 million or approximately 7.38% compared to approximately RMB4,822 million for HY2021. The decrease was mainly due to the slower efficiency of performance of projects compared to that the corresponding period of last year caused by the COVID-19 pandemic and the impact of operational restructuring.

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## LETTER FROM MERDEKA

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The total gross profit of the Group for HY2022 was approximately RMB707 million, representing a decrease of approximately RMB175 million or approximately 19.84% compared to approximately RMB882 million for HY2021, while the gross margin decreased from approximately 18.29% to approximately 15.83%, which was mainly attributable to the decrease in gross margin of construction contracting business segment. The Group's profit for HY2022 was approximately RMB487 million, representing an increase of approximately RMB80 million or approximately 19.72% as compared to approximately RMB407 million for HY2021.

### *As at 30 June 2022 and 31 December 2021*

As illustrated above, the Group's total assets and total liabilities as at 30 June 2022 amounted to approximately RMB22,547 million and approximately RMB15,961 million, representing a decrease of approximately 7.84% and approximately 11.59% compared to the total assets and total liabilities of approximately RMB24,464 million and approximately RMB18,054 million as at 31 December 2021, respectively. The total assets of the Group as at 30 June 2022 mainly comprised (i) approximately RMB1,971 million in investments in joint ventures (31 December 2021: approximately RMB1,876 million); (ii) approximately RMB5,133 million in non-current contract assets and financial receivables (31 December 2021: approximately RMB5,306 million); (iii) approximately RMB3,901 million in current trade and bills receivables (31 December 2021: approximately RMB4,069 million); (iv) approximately RMB4,162 million in current contract assets and financial receivables (31 December 2021: approximately RMB3,842 million); and (v) approximately RMB3,104 million in cash and bank balances (31 December 2021: approximately RMB4,040 million). The total liabilities of the Group as at 30 June 2022 mainly comprised (i) approximately RMB4,262 million in current trade and bills payables (31 December 2021: approximately RMB4,495 million); (ii) approximately RMB3,967 million in current other payables and accruals (31 December 2021: approximately RMB4,775 million); (iii) approximately RMB2,781 million in current interest-bearing bank and other borrowings (31 December 2021: approximately RMB2,377 million); and (iv) approximately RMB4,411 million in non-current interest-bearing bank and other borrowings (31 December 2021: approximately RMB4,819 million). The decrease in the Group's total assets as at 30 June 2022 as compared to 31 December 2021 can primarily be attributed to the decrease in the Group's cash and bank balances. The decrease in the Group's total liabilities as at 30 June 2022 as compared to 31 December 2021 can primarily be attributed to the decrease in the Group's (i) current other payables and accruals; and (ii) non-current interest-bearing bank and other borrowings. The net assets of the Group was approximately RMB6,586 million as at 30 June 2022 and approximately RMB6,410 million as at 31 December 2021.

### *b. Information on BUCG*

As stated in the Board Letter, BUCG is a wholly state-owned enterprise under the Beijing Municipal People's Government with limited liability, which is principally engaged in the construction contracting, real estate development and design and consultation businesses and whose ultimate beneficial owner is the People's Government of Beijing Municipality.

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## LETTER FROM MERDEKA

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### **II. Reasons for and benefits of the renewal of the Integrated Services Framework Agreement**

As mentioned in the Board Letter, in the ordinary and usual course of business, BUCG Group requires the integrated services including services relating to construction design, survey and consultancy, 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 and training services from BUCG Group from time to time. Due to the historical and future long-term cooperation relationship between the Group and BUCG Group, the renewal of the Integrated Services Framework Agreement with BUCG will standardise the mutual provision of above services between the relevant members of the Group and 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, standardise 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 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 BUCG Group in the provision of relevant services, and enable the Group to enhance its competitiveness.

Having considered (i) the principal business and operations of the Group; (ii) the long-established relationship between the Group and the BUCG Group; (iii) the Integrated Services Framework Agreement offers the Group an option, but not an obligation, to provide or procure BUCG Group to provide integrated services when the service price is competitive; (iv) the Listco Group Sales (as defined below) provides a reliable customer base and stable income to the Group and the Listco Group Purchases (as defined below) provides the stability and reliability of the supply of integrated services to the Group due to the long-established relationship; and (v) 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 renewal 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.

### **III. Industry overview**

As the integrated services under the Integrated Services Framework Agreement are principally related to urban rail transit related business, we performed researches on the development of urban rail transit network in the PRC.

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## LETTER FROM MERDEKA

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According to the official data published by China Association of Metros (中國城市軌道交通協會), as of 30 June 2022, there was an aggregate investing and operating urban rail transit distance of 9,573.65 km in 51 cities in the PRC, among others, 7,529.02 km of subway. During the first half of 2022, there was a newly added urban rail transit in operation in Nanping as well as new lines or new sections of urban rail transit in operation in 9 cities, including but not limited to, Chongqing, Guangzhou, Zhengzhou, Kunming and Hangzhou, Changsha. In the first half of 2022, there were a total of 366.87 km of new urban rail transit lines being added, consisting of 7 new operating lines and 11 new post operating sections or extension of existing lines, with the proportion of subway, urban express rails and trams accounts of approximately 87.03%, 4.96% and 8.01%, respectively.

It is expected that there will be more new lines in operation in rail transit network in the PRC. Based on the Beijing Rail Transit Network Plan (2020 – 2035) (the “**Plan**”) approved by the Beijing Municipal Commission of Planning and Natural Resources on 17 August 2022, the total planned network length is about 2,683 km, consisting of regional express line and urban rail transit. The regional express line will consist of 15 lines with a total mileage of approximately 1,058 km, while the urban rail transit including subway ordinary lines, subway express lines, medium and low-volume traffic, and airport special lines, etc., will consist of 38 lines with a total mileage of about 1,625 km, which has increased by 47 km than when the consultation on the Plan was published before.

With reference to the official website of the National Development and Reform Commission of the PRC\* (中華人民共和國國家發展和改革委員會, the “**NDRC**”), the NDRC has approved the adjustment solutions of urban rail transit construction planning of Suzhou and Dongguan in February and March 2022. The adjustment solutions of urban rail transit construction planning in the 2 cities involve a total of 58.18 km of new construction planning lines, all of which are underground lines. The total additional investment of new projects in the adjustment solutions of the two cities amounted to approximately RMB22.77 billion.

Based on the information published by the China Public Private Partnerships Center (<https://www.cpppc.org/en/home.jhtml>), by the first half of 2021, a total of 10,312 public-Private Partnerships (“**PPP**”) projects have been registered in the Project Management Database of the National PPP Integrated Information Platform, with a total investment of approximately RMB16.40 trillion, which is an increase of 1,658 projects and RMB3.2 trillion investment from the end of 2018. On 22 September 2022, the China Public Private Partnerships Center announced on its official website that the National Development Bank has increased its investment in PPP projects, by September 2022, the National Development Bank has allocated its fund of approximately RMB150 billion in supporting 421 PPP projects, and the total fund invested by the National Development Bank since the beginning of 2022 till now amounts to exceeding RMB360 billion in supporting more than 800 PPP projects.

On the other hand, the Chinese government announced to nationwide ease its COVID-19 restrictions in December 2022. According to the official website of the National Health Commission of the PRC (<http://www.nhc.gov.cn/>), on 7 December 2022, the PRC government announced new guidelines on the precautionary measures for COVID-19 in its notice, namely “Further Optimising and Implementing the Prevention and Control Measures of the COVID-19 Pandemic\* (關於下一步優化落實新冠肺炎疫情防控措施的通知)”, which includes that the



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frequency and scope of PCR testing will be reduced and lockdowns will be limited to as small a scope is feasible. As China has been moving quickly toward reopening, with public health measures being eased rapidly, the World Bank announced its projection regarding the growth in China's GDP in 2023 of approximately 4.30% from approximately 2.70% in 2022 according to the World Bank's China Economic Update report dated 15 December 2022.

Given (i) the significant planned investment in rail transit projects from the PRC government; (ii) the significant amount of PPP projects ongoing and planned for transportation development; and (iii) the gradual reopening of China and the recovery of China's economy, the Group, with extensive experience in transportation works 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 rail transit construction projects in the PRC.

#### IV. The Integrated Services Framework Agreement

##### *a. Principal terms of the Integrated Services Framework Agreement*

The principal terms of Integrated Services Framework Agreement are summarised as follows, please refer to the Board Letter for further details.

**Parties** : The Company

BUCG

**Term** : For a term of three years from 1 January 2023 to 31 December 2025

##### **Principal Terms and Conditions:**

Pursuant to the Integrated Services Framework Agreement proposed to be renewed:

- (a) The integrated services to be provided by BUCG, its subsidiaries and/or associates<sup>1</sup> (i.e. BUCG Group) to the Group include but are not limited to engineering construction related services (such as subway construction and industrial park redevelopment), including but not limited to provision of labor performing basic physical work in engineering projects, supply of raw materials used in engineering construction, construction machinery equipment leasing; and the above related training services and other services<sup>2</sup> required by the Group to carry out its business (the "**Listco Group Purchases**").

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<sup>1</sup> as disclosed in the Board Letter, the associates of BUCG include but are not limited to Libo International Building Materials Exhibition (Beijing) Co., Ltd. and Beijing National Speed Skating Pavilion Management Co., Ltd. Such list is not exhaustive. The number of associates of BUCG may further increase in the future, and the connected transactions under the Integrated Services Framework Agreement may be conducted between its associates and the Company during the three years ended 31 December 2025.

<sup>2</sup> as disclosed in the Board Letter, the provision of integrated services by BUCG under the Integrated Services Framework Agreement only involves the basic elements of the construction of projects (such as labor staff and raw materials, etc., not construction of projects itself), which are not the core business of the Group. There is no overlap or competition with the principal business of the Group.

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## LETTER FROM MERDEKA

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- (b) The integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates<sup>1</sup> (i.e. BUCG Group) include but are not limited to: (i) project survey, design and consultancy services (such as regional planning and designing and geotechnical investigation), including but not limited to measurement, test, inspection of construction drawings, as well as the above related training services and other services required by BUCG Group 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)<sup>3</sup> of the Supplemental Agreement II to the Non-competition Agreement (the “**Listco Group Sales**”).
- (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.
- (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 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 Non-competition Agreement, BUCG shall, in accordance with the terms of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded 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 non-profitable basis for BUCG (that is, the Company entrusts BUCG which possesses bidding qualification to submit a tender on its behalf, and the pricing of the projects is subject to the market price finally determined during the bidding process. If the awarded projects are obtained, relevant party of BUCG Group subcontracts all the awarded projects to relevant party of the Group, and therefore the awarded projects are carried out by the relevant party of the Group and BUCG Group does not generate any profit in respect of the awarded projects).

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<sup>3</sup> as disclosed in the Board Letter, according to the requirements of the Supplemental Agreement II to the Non-competition Agreement, if the Company is restricted from bidding for an engineering and construction project by reason of: (1) the Company’s previous provision of design or consultancy services at the preparatory stage or for supervisory work of such project restricting the Company from bidding for the engineering and construction work of the project; and/or (2) the special bidding requirements of such project, but only to the extent that the Company alone cannot meet the bidding requirements in relation to the bidder’s net assets, total assets, grading level and/or qualification level, and if it is for the interests of the Company and the requirements for bidding are satisfied, BUCG agrees to leverage its advantages to bid for or jointly with the Company bid for a project, and then subcontract part of the project to the Group pursuant to the requirements of Clause 3.8 of the Supplemental Agreement II to the Non-competition Agreement. For details, please refer to the announcement of the Company dated 29 October 2015 and the circular of the Company dated 11 December 2015.

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## LETTER FROM MERDEKA

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### **Pricing principles for the Listco Group Purchases:**

Pursuant to the Integrated Services Framework Agreement proposed to be renewed, the prices of the integrated services (including but not limited to engineering construction related services) to be provided by BUCG Group to the Group shall be determined with reference to government guidance prices and market factors, but shall not be less favorable than the conditions and prices provided by independent third parties to the Group in respect of the same or similar services in any event:

- (a) The government guidance prices represent the pricing range or level for certain categories of services as stipulated by the central government, provincial governments, local governments, industrial associations or other competent authorities, and the prices shall be determined by the parties through negotiation with reference to such pricing range or level. The Company will continue to keep itself updated with the latest developments of government guidance prices. If there is any document issued by the government to regulate the services in which the Company is involved and setting out specific price range or level, the prices will be determined within the range of government guidance prices stipulated in such document. In respect of the construction contracting services, the price shall be determined with reference to the government guidance prices set out in the Beijing Construction Project Pricing Basis – Urban Rail Transit Project Budget Quota (《北京市建設工程計價依據—城市軌道交通工程預算定額》) issued by the Beijing Municipal Commission of Housing and Urban-Rural Development and the Information on Project Costs (《工程造價信息》) issued by the local commission of housing and urban-rural development.
- (b) In addition to government guide prices, the Company will also make reference to the market prices after taking into account project scale, technical difficulty, construction period, labor cost and other factors specific to different projects. The larger the project scale, the higher the technical difficulty and the longer the construction period, the higher the overall labor cost to be invested; the smaller the project scale, the lower the technical difficulty and the shorter the construction period, the lower the overall labor cost to be invested. (“Market prices” means (1) the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the place where such services are provided or areas in proximity to such place, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions; or (2) where paragraph (1) is not applicable, the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the PRC, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions obtained by the Company 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](http://www.zbytb.com)), and China Procurement and Bidding Network (中國採購與招標網 <http://www.chinabidding.com.cn/>).

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## LETTER FROM MERDEKA

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### **Pricing principles for the Listco Group Sales:**

Pursuant to the Integrated Services Framework Agreement proposed to be renewed, the prices of the integrated services to be provided by the Group to BUCG Group (including but not limited to project survey, designing and consulting related services) shall be determined through bidding or agreement:

- (a) If the Company intends to bid for a particular project, the marketing department will firstly assess the cost and price of the project and then develop a plan, which will be submitted to the relevant responsible department heads for approval. If such approval is granted, the Company will prepare the bid document required by the project owner. According to the relevant PRC rules and regulations in relation to the bidding procedures for the specific services, the project owner shall engage professionals to evaluate the bidders and the corresponding bid documents. Finally, the project owner shall determine the successful bidder taking into account certain factors (including but not limited to the qualifications of the bidders and the terms and total quotation offered by the bidders) and with reference to the professional opinions.
- (b) “Agreed prices” shall be calculated based on “reasonable costs plus reasonable profits” and determined with reference to “market prices”, 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.

“Reasonable costs” means costs (including sales tax and surcharge) which calculated based on the investment in labour, equipment, relevant materials and others, agreed by both parties through negotiation and permitted by the national financial accounting system; “Reasonable profits” means profits calculated based on market practices and reasonable costs. (The Company will estimate the costs and prices of projects with reference to the calculation methods set out in the relevant charging guidelines issued by the government or industrial associations. For project consulting services, the Company will make reference to the Guidelines on Charging for Preliminary Consulting Services for 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). For project contracting related services, the Company will make reference to the Information on Project Costs (《工程造價信息》) regularly issued by local commission of housing and urban-rural development, which sets out recommended prices of construction materials of specific categories.)

In order to ensure that the prices are fair and reasonable and in any event no more favourable than the terms and prices of same or similar type of services provided to independent third parties, the Company will make reference to the market prices after taking into account project scale, technical difficulty, construction period, labor cost and other factors specific to different projects. The larger the project scale, the higher the technical difficulty and the longer the construction period, the

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## LETTER FROM MERDEKA

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higher the overall labor cost to be invested; the smaller the project scale, the lower the technical difficulty and the shorter the construction period, the lower the overall labor cost to be invested. (“Market prices” mean (1) the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the place where such services are provided or areas in proximity to such place, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions; or (2) where paragraph (1) is not applicable, the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the PRC, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions obtained by the Company 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](http://www.zbytb.com)), and China Procurement and Bidding Network (中國採購與招標網 <http://www.chinabidding.com.cn/>).

According to the audited financial information of the Company for the past three years, the overall gross profit margin of project survey, designing and consulting services range from approximately 30% to 35% of the contract amount, and the overall gross profit margin of project contracting services range from approximately 8% to 10% of the contract amount. For the three years ended 31 December 2022, the overall gross profit margin of the relevant signed projects of the Company fell within the aforesaid range. For the relevant projects for the three years ending 31 December 2025, the Company expects that the above overall gross profit margin ranges will be also applicable.

- (c) For the project subcontracting arrangements and/or the provision of professional services (if necessary) by the Group to BUCG Group under Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement, the prices shall be determined by the following methods:
- (i) The prices of the subcontracting arrangements shall be the prices of the part of the awarded contracts of BUCG which are subcontracted to the Group on a non-profitable basis for BUCG under Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement; and/or
  - (ii) The prices of the professional services shall be the prices of the awarded contracts of BUCG or (if applicable), when there are third parties other than the Group, the remaining prices of the awarded contracts after deducting the subcontracting prices offered by BUCG to third parties and the prices of the above subcontracting arrangements (both on a non-profitable basis for BUCG).

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As disclosed in the Board Letter, the implementation of the above pricing policy enables the Company to determine the basis of pricing for relevant transactions while protecting the reasonable interests of the Company.

### **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 Existing Agreement proposed to be renewed.

#### ***b. Our analysis on the pricing principles***

##### *The Listco Group Purchases*

As mentioned above, the Listco Group Purchases include the provision of engineering construction related services by BUCG Group to the Group, including but not limited to provision of labor performing basic physical work in engineering projects, supply of raw materials used in engineering construction, construction machinery equipment leasing, and the above related training services and other services required by the Group to carry out its business, which are basic elements of the construction of projects. According to the Board Letter, as the Listco Group Purchases are not the core business of the Group, there is no overlap or competition with the principal business of the Group. The pricing standards of the Listco Group Purchases should be determined according to (i) the government guidance prices; and (ii) prevailing market prices after considering the market factors.

In order to assess the pricing principles for the Listco Group Purchases, we requested the Management to provide both connected and independent sample contracts that were entered into between the Group and relevant party during the period from 1 January 2020 to 30 September 2022 (the “**Review Period**”) and were advised that the Group has not procured any independent third party to provide the Listco Group Purchases’ similar services during the Review Period due to BUCG Group’s better understanding and familiarity on the standards and conditions of the Group’s projects as well as the Group’s requirements of the services needed. Alternatively, the Management provided a total of 13 connected sample contracts (the “**Connected Group Purchases Contracts**”). As confirmed by the Management, the selected connected sample contracts are the top thirteen largest contracts with BUCG Group during the Review Period, the aggregate amount of which accounts for approximately 32% of the Group’s total cost for the procurement of integrated services during the Review Period. As such, we consider the Connected Group Purchases Contracts to be fair and representative.

As no independent comparable sample contracts were available to us, we discussed with the Management on the relevant price determination process. We were advised that the Group follows a series of internal control policies to ensure the relevant service price is fair and reasonable and not less favourable than those offered by independent third

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parties for comparable services before entering the continuing connected contracts. Please refer to the section headed “V. Internal control measures” below for more details. We also reviewed the pricing terms of Connected Group Purchases Contracts and noted that the purchase of integrated services by the Group was principally charged with reference to the state prices or local government guidance prices or the tender process. We then made enquiries with the Management on how to choose the service provider and we were given to understand that the relevant responsible persons of the Group will invite at least three services providers (including BUCG Group) to submit tender documents or to provide quotations, and will determine the favourable contract sum by making reference to the local government guidance prices after considering following factors, including but not limited to, project scale, technical difficulty, construction period, labor cost and other factors specific to different projects as well as other market prices and information available from public sources and the services provider’s expertise. According to the tendering documents and/or quotations in respect of the Connected Group Purchases Contracts obtained from the Management, we noted the service prices quoted by BUCG Group were not less favourable than the service prices quoted by the independent services providers. Based on the aforesaid, we consider that the pricing standards and the principal terms of the Listco Group Purchases to be fair and reasonable.

### *The Listco Group Sales*

As mentioned above, the Listco Group Sales are broadly classified into (i) project survey, design and consultancy services and (ii) project subcontracting and/or specialised services. The pricing standards of the Listco Group Sales should be determined according to (i) the state price or the local government guidance price; or (ii) the tender process or market price.

In order to assess the pricing principles for the Listco Group Sales, we have obtained and reviewed a total of 9 sample connected contracts (the “**Connected Group Sales Contracts**”), which were entered into between the Group and BUCG Group during the Review Period. As confirmed by the Management, the Connected Group Sales Contracts are the top nine largest transactions with BUCG Group during the Review Period, the aggregate amount of which accounts for approximately 23% of total revenue generated from the provision of integrated services by the Group to connected persons during the Review Period. For our due diligence purpose, we were also provided 9 sample contracts that were entered into between the Group and independent third parties in relation to the similar services under the Listco Group Sales during the Review Period (the “**Independent Group Sales Contracts**”). As confirmed by the Management, the Independent Group Sales Contracts are the top nine largest transactions with independent third parties during the Review Period, the aggregate amount of which accounts for approximately 41% of total revenue generated from the provision of integrated services by the Group to independent third parties during the Review Period. Although we noted that the underlying projects in the Independent Group Sales Contracts are unique and are not direct identical to relevant Connected Group Sales Contracts, having considered that the underlying projects in the Independent Group Sales Contracts have covered all the

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integrated services under the Listco Group Sales to be completed under the Integrated Services Framework Agreement and are in similar nature to those contemplated under the Existing Agreement during the Review Period, we consider the Independent Group Sales Contracts are comparable to the Connected Group Sales Contracts. As such, we consider that the Connected Group Sales Contracts and the Independent Group Sales Contracts are fair and sufficient to provide us a general reference on the major terms of similar transactions for our assessment on the pricings of the Listco Group Sales to be contemplated under the Integrated Services Framework Agreement.

We reviewed the pricing terms of both Connected Group Sales Contracts and Independent Group Sales Contracts and noted that service fees charged by the Group to BUCG Group were principally determined based on the state prices, local government guidance prices, the tender process and/or the prevailing market prices, which is similar to the pricing standards of the Independent Group Sales Contracts. We then discussed with the Management on tender document preparation process and were advised that the responsible persons of the Group will prepare tender documents based on the state prices and/or local government guidance prices after taking into account (a) market prices for successfully bidding similar services by independent services providers which will be available from public sources; (b) the reasonable profits for similar services based on historical audited financial information; and (c) the estimated actual costs for relevant projects with reference to, among the others, the Guidelines on Charging for Preliminary Consulting Services for 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) and the Information on Project Costs (《工程造價信息》) regularly issued by local commission of housing and urban-rural development. As confirmed by the Management, the Group has adopted same tendering process for independent projects and BUCG Group's projects. Based on the aforesaid, we consider the pricings of the Independent Group Sales Contracts are not less favourable than the pricing standards of the Connected Group Sales Contracts, and are of the view that the pricing standards and the principal terms of the Connected Group Sales Contracts are in compliance with and similar to those under the Independent Group Sales Contracts.

### *Conclusion*

Having considered the abovementioned and our analysis on the internal control of the Group as mentioned in the section headed "V. Internal control measures" below, we are of the view that the pricing standards and the principal terms of the Integrated Services Framework Agreement to be fair and reasonable so far as the Independent Shareholders are concerned.



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***c. The Proposed Annual Caps and the basis of determination***

The following table sets out (i) historical transaction amounts in respect of the mutual provision of integrated services between the Group and BUCG Group for the preceding two years ended 31 December 2021 and the six months ended 30 June 2022; and (ii) the Proposed Annual Caps of the Listco Group Purchases (i.e. the Proposed Expense Annual Caps) and the Listco Group Sales (i.e. the Proposed Revenue Annual Caps) for each of the three years ending 31 December 2025:

	<b>Approximate historical transaction amounts</b>			<b>Proposed Annual Caps</b>		
	<b>For the year ended</b>		<b>For the six</b>	<b>For the year ending</b>		
	<b>31 December</b>		<b>months ended</b>	<b>31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>30 June</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
The Listco Group Sales	358	313	128	730	803	883.3
The Listco Group Purchases	548	385	10	910	1,001	1,101.1

As disclosed in the Board Letter, from 1 January 2023 until the date of the EGM, the Group has not and will not enter into any continuing connected transactions with BUCG Group that would be subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

***Assessment on the basis for the Proposed Revenue Annual Caps***

As noted from the Board Letter, when estimating the Proposed Revenue Annual Caps for the next three years, the Company mainly made reference to the historical transaction figures after taking into account the factors, among other things, (i) design, survey and consultancy services to be provided to BUCG Group; (ii) construction contracting services to be provided to BUCG Group; and (iii) other potential projects.

To assess the fairness of the abovementioned determination basis of the Proposed Revenue Caps, we compared the historical transaction amounts with the Existing Revenue Annual Caps for FY2020, FY2021 and FY2022 in the amount of RMB435 million, RMB479 million and RMB527 million, respectively. Based on the aforesaid, we understood the utilisation rate of the Existing Revenue Annual Caps were approximately 82.30% and approximately 65.34% for FY2020 and FY2021 respectively. The historical transaction amount for HY2022 was approximately RMB128 million. Should the

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historical transaction amount for HY2022 be annualised, the projected transaction amount would amount to approximately RMB256 million, representing an utilisation rate of approximately 48.58%. The Management advised that the relatively low utilisation rate for FY2022 were mainly for the reason that certain EPC projects and PPP projects did not start as schedule or were cancelled due to the influence of different local and national policies in response to the development of COVID-19 pandemic.

Further, we obtained and reviewed a summary list of 196 existing and potential projects of the Group with BUCG Group (the “**Revenue Caps Project List**”), which consists of 137 existing projects as at the Latest Practicable Date and 59 potential projects to be obtained by the Group. We made enquiry of the basis for estimated transaction amounts of potential projects and were advised that such amount represents the sum of the potential projects expected to be developed by BUCG Group in the next three years based on the Directors’ communication with BUCG’s managements. Please refer to our further analysis on each factor as follows:

**i. Design, survey and consultancy services**

As disclosed in the Board Letter, the design, survey and consultancy segment has been the traditional and core business of the Group. The Group’s transaction amount by provision of such services to BUCG Group has been generally increasing from approximately RMB19.5 million in 2017 to approximately RMB98.7 million in 2021. The Group 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, and the revenue from provision of such services to BUCG Group would amount to approximately RMB305.7 million, approximately RMB225.6 million and approximately RMB237.7 million for the three financial years ending 31 December 2025, respectively.

According to the Revenue Caps Project List, we noted that 161 projects are relating to design, survey and consultancy services, consisting of 122 projects obtained by the Group as at the Latest Practicable Date and 39 potential projects to be obtained by the Group. We have discussed with the Management on the basis of estimated revenue amount of design, survey and consultancy services for the three years ending 31 December 2025 and were advised that the Group has intensively developed existing markets during FY2021 by fully utilising the technical advantages in the industry, consolidating its dominant status in urban rail transit design, properly performing the existing contracts and focusing on following up state-level new areas and third-tier and fourth-tier cities, and expanding its business into various of new domestic and overseas cities, including but not limited to Hangzhou, Ningbo, Wuhan, Zhengzhou, Qingdao, Jinan and Beijing, which will in turn, will continue to boost the future demand for the Group’s design, survey and consultancy services.

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According to the 2020 Annual Report and the 2021 Annual Report, the revenue contributed by the Group's design, survey and consultancy service segment increased from approximately RMB3,669 million in 2019 to approximately RMB4,102 million in 2021, representing an increase of approximately 11.80%. Given the aforementioned track record in revenue growth from the provision of design, survey and consultancy services by the Group, the expansion of the Group's business and the existing and potential projects as shown in the Revenue Caps Project List, we consider the aforesaid estimated revenue projections in respect of the Group's design, survey and consultancy services to be reasonable.

### **ii. Construction contracting services**

According to the annual reports of the Company, the revenue from the provision of construction contracting services by the Group to BUCG Group has substantially increased from approximately RMB18.44 million in 2017 to approximately RMB111.3 million in 2021. The Group expects the revenue for the provision of such services to BUCG Group would increase with the commitment of the Group to expand the geographical coverage of construction contracting projects, and the relevant revenue will amount to approximately RMB422.2 million, approximately RMB441.1 million and approximately RMB443.6 million for the three financial years ending 31 December 2025, respectively.

As noted from the 2021 Annual Report, the Company won the bids for various projects including the bids 05 and 12 of Beijing Rail Transit Line 22, and the underground space integration project in Lize Business District, with various major projects completed on schedule, including Beijing Winter Olympics branch line, bid 03 of Beijing Line 11, bid 05 of Line 14, and bids 19 and 24 of Line 17, which enable the Group to further consolidate its position in the Beijing market. The Company has also actively explored external markets, and promoted the high-quality implementation of the projects in hand, with contracted projects covering various cities such as Beijing, Guangzhou, Nanjing, Urumqi, Suzhou, Wuhan, Zhuzhou and Zhengzhou. According to the Revenue Caps Project List, there is a total of 35 projects relating to construction contracting services, consisting of 15 existing projects obtained by the Group as at the Latest Practicable Date and 20 potential projects to be obtained by the Group. The Management believes the amount of the construction contracting services will continue to increase along with the Group's expansion of its geographical coverage of business.

According to the 2020 Annual Report and the 2021 Annual Report, the revenue contributed by the Group's construction contracting segment increased from approximately RMB4,751 million in 2019 to approximately RMB6,386 million in 2021, representing an increase of approximately 34.41%. Given the aforementioned track record in revenue growth from the provision of construction contracting services, the new projects obtained by the Group in 2021 and the Group's expansion plan, 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 and construction design consultation in the Beijing-Tianjin-Hebei region, in the circumstances specified in 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 such 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 income growth of the Group since 2017, the Company has included a buffer of 10% increase for the year ending 31 December 2025 based on the estimated annual cap for the year of 2024 and a 10% increase for the year of 2024 based on the estimated annual cap for the year of 2023 in its estimation of the annual caps of revenue from BUCG Group.

Given the historical and potential growth in the revenue from the provision of design, survey and consultancy as well as construction contracting services to BUCG Group as mentioned above, we concur with the Board's view that the setting of a buffer rate of 10% in the Proposed Revenue Caps to be fair and reasonable.

***Assessment on the basis for the Proposed Expense Annual Caps***

As noted from the Board Letter, when estimating the Proposed Expense Caps for the next three years, the Company has mainly made reference to the historical transaction figures after taking into account the factors, among other things, (i) the expenditures incurred and to be incurred for the construction projects and PPP projects obtained by the Company; (ii) the expenditures to be incurred for potential EPC and PPP projects which the Company may obtain in the next three years; and (iii) other potential urban transit projects.

To assess the above determination basis of the Proposed Expense Annual Caps, we compared the historical transaction amounts with the Existing Expense Annual Caps for FY2020, FY2021 and FY2022 in the amount of RMB1,770 million, RMB1,947 million and RMB2,142 million, respectively. Based on the aforesaid, we understood the utilisation rate of the Existing Expense Annual Caps were approximately 31.0% and approximately 19.8% for FY2020 and FY2021, respectively. The historical transaction amount for HY2022 was approximately RMB10 million. Should the historical transaction amount for HY2022 be annualised, the projected transaction amount would amount to approximately RMB20 million, representing an utilisation rate of approximately 0.9%. We made enquiry with Management on the low utilisation rate of the Existing Expense Annual Caps for the financial year ended 31 December 2022 and understood that the outbreak of COVID-19 pandemic, failure to obtain some potential projects that were initially expected to be obtained by the Group, the initial stage of some of major PPP and

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EPC projects of the Group during HY2022 and completion of some of major PPP projects during HY2022 (i.e. the Donghuangshan International Town Infrastructure PPP Project\* (東黃山國際小鎮基礎設施工程PPP項目), lead to low execution cost for these projects and therefore a decrease in the usage of the Existing Expense Annual Caps. As further advised by the Management, when the Company determined the Proposed Expense Annual Caps, the Company has taken into account upcoming potential EPC and PPP projects which are already publicly known or known through the Company's business network, and which the Company would bid for and may obtain in the near future. However, whether the Company can obtain the potential projects would be affected by certain unpredictable reasons, for instance, the potential projects would not be implemented as expected due to national policies or government approval or tendering results.

Despite the abovementioned, given that (i) the Group is likely to capture more business opportunities in future as the impact of COVID-19 pandemic will be reduced after the Chinese government announced to nationwide loosen its COVID-19 restriction in December 2022 as mentioned in the section headed "III. Industry overview" in this letter; (ii) the Proposed Expense Annual Caps were determined mainly based on the Board's best estimation on potential projects that are available for the Group to bid or obtain for the three years ending 31 December 2025; and (iii) the Proposed Expense Annual Caps will provide the Company with sufficient flexibility to capture business opportunities immediately after the targeted projects become materialised, we are of the view that the low utilisation rate of the Existing Expense Annual Caps will not affect the determination of the Proposed Expense Annual Caps and the Proposed Expense Annual Caps will enable the Group to catch business opportunities with BUCG Group in future.

Furthermore, we obtained and reviewed a summary list of 43 existing and potential projects of the Group with BUCG Group (the "**Expense Caps Project List**"), which consists of 34 existing projects as at the Latest Practicable Date and 9 potential projects to be obtained. Please refer to our further analysis on each factor as follows:

**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: Beijing Metro New Airport Express, Beijing Metro Lines 14, 17 and 22, Lhasa Node Renovation Project, PPP Project of Chongqing Bishan-Tongliang Line and Part B of Kunming Rail Transit Line 4 PPP Project. The Company estimates that the expenditures to be incurred for the three financial years ending 31 December 2025 are RMB494.12 million, RMB350.46 million and RMB207.56 million, respectively.

According to the Expense Caps Project List, we noted a total of 34 projects have been obtained by the Group as at the Latest Practicable Date with an aggregate transaction amount of approximately RMB494.12 million, approximately RMB350.46 million and approximately RMB207.56 million for the three financial years ending 31 December 2025, respectively. Given the estimated expenditures incurred and to be incurred for the

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construction projects and PPP projects obtained by the Group under the Expense Caps Project List will be approximate to the relevant proposed annual caps, we consider the aforesaid estimated expenditure projections in respect of the Group's construction projects and PPP projects to be reasonable.

### **ii. The expenditures to be incurred for potential EPC and PPP projects**

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 Group 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 nine projects in the next three financial years. These potential upcoming projects include the general contracting projects for rail transit in Beijing and Hainan, with an estimated aggregate construction amount for the integrated services to be provided by BUCG Group to the Group of approximately RMB6,000 million, and estimated expenditures of approximately RMB408.45 million, RMB578.05 million and RMB719.80 million for the three financial years ending 31 December 2025, respectively. Based on the Expense Caps Project List, we noted the Board expects a total of 9 projects to be obtained by the Group with an aggregate transaction amount of approximately RMB408.45 million, approximately RMB578.05 million and approximately RMB719.80 million for each of the three financial years ending 31 December 2025.

Given the estimated expenditures to be incurred for the potential EPC and PPP projects under the Expense Caps Project List will be approximate to the proposed annual caps, we consider the aforesaid estimated expenditure projections for potential EPC and PPP projects to be reasonable.

### **iii. Other potential urban transit projects**

As noted in the Board Letter, as stated in the 2021 Annual Report, the NDRC issued the development plans for rail transit in multiple cities and areas and various cities and areas also promulgated new policies, showing that rail transit maintains a great potential for development, and urban express rail/urban (suburban) railways will become an effective link between urban and suburban areas/urban agglomerations, and the importance and demand of urban express rail has significantly increased. 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 resulting in increased expenditures for the integrated services to be 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 2024 and 2025 based on the estimation of annual cap for the previous year so as to accommodate more projects which the Group may successfully obtain during the two years ending 31 December 2024 and which would require the integrated services of BUCG Group.

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In view of the anticipated growth in the urban rail transit 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 2024 and 2025 based on the estimated annual cap for the previous year to be acceptable.

### *Conclusion*

Based on the above, we are of the view that the Proposed Annual Caps are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### **V. Internal control measures**

To ensure the Company's conformity with the pricing policy in relation to the continuing connected transactions contemplated under the Existing Agreement and 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 formulated by the Company, in accordance with supervisory requirements of the 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.

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 or to be entered into under the Integrated Services Framework Agreement:

- (a). 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, the Legal and Audit Department and the Financial Department of the Company shall assist in reviewing and controlling specific terms, conditions and actual transaction amounts of such continuing connected transactions;

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- (b). Senior management of the Company and its subsidiaries 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 conforms with relevant pricing requirements if the service applies price determined through tender process and whether the price conforms 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 evaluating the fairness of the transaction terms and pricing terms, and reporting relevant information to the Board in time;
- (c). The Board is in 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;
- (d). In addition, the independent non-executive Directors have reviewed the continuing connected transactions contemplated under Integrated Services Framework Agreement, and would continue to review the continuing connected transactions contemplated under the Integrated Services Framework Agreement to ensure that individual service contracts under the Integrated Services Framework 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.

In assessing the effectiveness of the internal control imposed by the Group to monitor the principle terms offered to BUCG Group and/or other independent third party for the individual service contracts stipulated under the Integrated Services Framework Agreement, we have obtained and reviewed the internal control measures of the Group. We have discussed with the Management and understood that the Board, different levels of managements of the Group and relevant departments of the Group will participate in the review of relevant individual service contracts to ensure the individual services contracts 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 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 continuing connected transactions of the Company, as well as the execution of such control system. For our due diligence, we have obtained and reviewed a total of 17 sample review forms in relation to the Listco Group Sales and the Listco Group Purchases contemplated under the Integrated Services Framework Agreement (the “**CCT Sample Review Forms**”) which were entered into between relevant party of the Group and the relevant party of BUCG Group during the three months ended 31 December 2022. As confirmed by the Management, the 17 CCT Sample Review Forms represent all connected transactions incurred between the Group and BUCG Group during this period. As such, we consider that the CCT



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Sample Review Forms are fair and sufficient to provide us a general reference on the Group's execution of its internal control policies. Based on the CCT Sample Review Forms, we noted that the operational level management of the Group firstly reviewed the underlying projects and reported their opinions on whether to approve the transactions to the senior management of the Group (if applicable). The senior management of the Group (i.e. financial department and head of secretary department of the Group) then reviewed the operational level management's comments (if any) and the details of underlying projects and reported their opinions (if any) to the secretary of the Board for the Board's decision making. In addition, the Independent non-executive Directors and the auditor of the Company would take part in the annual review process of the relevant transactions. Based on our review on the CCT Sample Review Forms and our analysis regarding the major terms under the sample projects in relation to the Listco Group Sales and the Listco Group Purchases as under the section headed "b. Our analysis on the pricing principles" above, we are of the view that the internal control measures of the Group are properly in place.

### 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 Continuing Connected Transactions contemplated under the Integrated Services Framework Agreement and 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 resolutions to be proposed at the EGM in this regard.

Yours Faithfully,  
For and on behalf of  
**Merdeka Corporate Finance Limited**  
**Jeannie Chan**  
*Director*

*Ms. Jeannie Chan is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 10 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 Hong Kong Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Securities Interest of Substantial Shareholders

At the Latest Practicable Date, so far as is known to the Directors, the following persons (other than Directors, Supervisors and chief executive of the Company) had an interest and short position in the shares and underlying shares of the Company which shall be entered in the register kept by the Company pursuant to Section 336 of the SFO:

#### *Domestic Shares*

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

#### *Notes:*

1. Beijing Urban Construction Group Co., Ltd. was incorporated by the Beijing government.
2. Beijing Infrastructure Investment Co., Ltd. (“**Beijing Investment Company**”) is a wholly state-owned corporation established and funded by State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality. A merger and restructuring was conducted between Beijing Investment Company and Beijing MTR Construction Administration Corporation (北京市軌道交通建設管理有限公司) on 4 August 2020, pursuant to which, Beijing Investment Company in aggregate holds directly or indirectly 199,998,412 shares of the Company (including 131,776,412 Domestic Shares and 68,222,000 H Shares of the Company, representing approximately 14.83% of the issued shares of the Company). For details, please refer to the announcement of the Company dated 10 August 2020.

3. Among which 18,270,000 Domestic Shares were issued for connected subscriptions. For details, please refer to the circular of the Company dated 7 December 2017 and the announcement of the Company dated 5 February 2018.

### *H Shares*

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of H Shares</b>	<b>Nature of interest</b>	<b>Approximate percentage of the total issued H Share capital</b>	<b>Approximate percentage of the total issued share capital</b>
Amundi Ireland Ltd.	Investment manager	81,494,000	Long position	21.01%	6.04%
Beijing Infrastructure Investment Co., Ltd. <sup>1</sup>	Interest of controlled corporations	68,222,000	Long position	17.59%	5.06%
Beijing Infrastructure Investment (Hong Kong) Limited <sup>1</sup>	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 <sup>2</sup>	26,222,000	Long position	6.76%	1.94%

*Notes:*

- 1 Beijing Investment Company indirectly holds long position of 68,222,000 H Shares of the Company through its wholly owned subsidiary, Beijing Infrastructure Investment (Hong Kong) Limited.
- 2 CRRC Group (formerly known as CSR Group) is interested 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.).

Saved as disclosed above, at the Latest Practicable Date, none of the Directors (other than Directors, Supervisors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of 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.

**The Interests and Short Positions of Directors, Supervisors and Chief Executive in the Shares, Underlying Shares and Debentures**

At the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as 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 been taken under such provisions of the SFO) or were required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name	Title	Nature of interest	Class of Shares	Number of Shares (shares)	Approximate percentage of total issued H Share capital (%)	Approximate percentage of total issued Share capital (%)
Wang Hanjun	Executive Director and general manager	Personal interest	H Shares	48,000	0.01	0.004
Li Guoqing	Executive Director and deputy general manager	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, at the Latest Practicable Date, none of the other Directors and Supervisors or chief executives 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) which were required to be (i) 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 been taken under such provisions of the SFO); or (ii) entered in the register required to be kept under Section 352 of the SFO; or (iii) otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, 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 2021, 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 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:

<b>Name of the Director/Supervisor</b>	<b>Position in the specific company</b>
Pei Hongwei	the director, general manager, deputy secretary of Party committee of BUCG
Shi Huaxin	the head of the capital operation department of BUCG
Peng Dongdong	the deputy general manager of the investment development headquarters of Beijing Infrastructure Investment Co., Ltd.
Li Fei	the senior investment manager of the investment development headquarters of Beijing Infrastructure Investment Co., Ltd.
Hu Shengjie	the head of the Department of Board Secretary of BUCG
Nie Kun	the first chairman of the supervisory committee of BUCG

## 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no any material adverse change in the financial or trading position of the Group since 31 December 2021, 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 was engaged in any litigation or arbitration of material importance, and the Directors are not aware of any litigation or claim of material importance pending or threatened against the Company or any of the Company's subsidiaries.

## 9. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given advice and recommendations which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Merdeka Corporate Finance Limited	a licensed corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

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

## 10. EXPERT'S INTERESTS

As at the Latest Practicable Date, Merdeka:

- (a) did not have any direct or indirect interest in any assets which have been, after 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group; and
- (b) did not have any shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for, or to nominate persons to subscribe for securities in any member of the Group.

## 11. GENERAL

- (a) The company secretary of the Company is Mr. Xuan Wenchang.

- (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, Dah Sing Financial Centre, 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.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts in case of inconsistency.

## **12. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.bju.cd.com](http://www.bju.cd.com)) for the period from the date of this circular up to and including the date of the EGM:

- (a) Integrated Services Framework Agreement;
- (b) Written consent from Merdeka as referred to in the paragraph headed "Expert's Qualification and Consent" above.

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## NOTICE OF THE 2023 FIRST EXTRAORDINARY GENERAL MEETING

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

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

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1599)**

### NOTICE OF THE 2023 FIRST EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2023 First Extraordinary General Meeting (the “EGM”) of Beijing Urban Construction Design & Development Group Co., Limited (the “Company”) will be held at Conference Room, Floor 1, Building A, 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 2:30 p.m. on Friday, 3 March 2023, to consider and, if thought fit, approve the following resolutions:

#### ORDINARY RESOLUTION

1. To consider and approve the continuing connected transactions with BUCG:

“**THAT**, the terms of the Integrated Services Framework Agreement to be renewed between the Company and BUCG and the proposed annual caps for the revenue and expenditure of the continuing connected transactions contemplated for the three years ending 31 December 2025 are hereby approved and confirmed; and the chairman or an 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 and take all such steps and actions as he/she may consider necessary or desirable for the purpose of giving effect to the renewed Integrated Services Framework Agreement with such changes as he/she may consider necessary, desirable or expedient.”

#### SPECIAL RESOLUTION

2. To consider and approve the proposed amendments to the Articles of Association.

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

Beijing, 13 February 2023



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## NOTICE OF THE 2023 FIRST EXTRAORDINARY GENERAL MEETING

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*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 Pei Hongwei, Shi Huaxin, Peng Dongdong, Li Fei, Wang Tao and Tang Qimeng; and the independent non-executive directors of the Company are Wang Guofeng, Qin Guisheng, Ma Xufei and Xia Peng.*

*Notes:*

1. The register of members of the Company will be closed from Tuesday, 28 February 2023 to Friday, 3 March 2023, 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 Friday, 3 March 2023 shall be entitled to attend and vote at the EGM. Holders of H Shares of the Company who intend to attend and vote at the EGM must lodge all transfer documents accompanied by the relevant H Share certificates with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 27 February 2023 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/her stead. A proxy need not be a shareholder of the Company but must attend the EGM in person to represent the relevant shareholder.
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 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 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC for holders of domestic shares and at the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares not less than 24 hours before the time stipulated for convening the EGM (or any adjournment thereof) (as the case may be). Completion and return of a proxy form will not preclude a shareholder from attending and voting in person at the EGM (or any adjournment thereof). If no direction is given, the proxy will be entitled to vote or abstain as he or she thinks fit.
5. 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).