
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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)

- (1) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
RELATING TO THE CAPITAL INCREASE IN BUCZT AND
DEEMED DISPOSAL OF SHAREHOLDING INTERESTS OF BUCZT;**
- (2) CONNECTED TRANSACTION**
- (i) AMENDMENTS TO THE EXISTING NON-COMPETITION
AGREEMENT;**
- (ii) THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE
INTEGRATED SERVICES FRAMEWORK AGREEMENT RESULTING FROM
THE AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT;
AND**
- (3) NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2021**

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



Gram Capital Limited
嘉林資本有限公司

The EGM of the Company is to be held at Conference Room, Block A, 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 10:00 a.m. on Wednesday, 29 December 2021. A letter from the Board is set out on pages 7 to 32 of this circular. Notice convening the EGM is set out on pages N-1 to N-2 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.

10 December 2021

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company as amended, modified or supplemented from time to time
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), a company established in the PRC with limited liability and a controlling shareholder of the Company holding 42.34% equity interests in the Company. The ultimate actual controller of BUCG is the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality
“BUCIC”	Beijing Urban Construction Installation Group Co., Ltd. (北京城建安裝集團有限公司), a company established in the PRC with limited liability, which is held as to 24% by BUCG and the accounts of which are consolidated into the accounts of BUCG, and is therefore a non-wholly owned subsidiary of BUCG under the Listing Rules
“BUCZT”	Beijing Urban Construction Zhikong Technology Co., Ltd. (北京城建智控科技股份有限公司), a joint stock company established in the PRC with limited liability and a subsidiary of the Company and it is owned as to 60%, 30% and 10% by the Company, BUCG and BUCIC as at the date of this circular
“Capital Increase”	the capital increase made by the Company, BUCG, Chengke Yunchuang Enterprise Management, Fuzhou Metro Group, Jiaxing Hezheng Chengzhi and BUCIC in BUCZT pursuant to the terms and conditions of the Capital Increase Agreement

DEFINITIONS

“Capital Increase Agreement”	the capital increase agreement entered into by the Company and BUCG, Chengke Yunchuang Enterprise Management, Fuzhou Metro Group, Jiaying Hezheng Chengzhi, BUCIC and BUCZT on 10 November 2021 in relation to BUCZT
“Chengke Yunchuang Enterprise Management”	Beijing Chengke Yunchuang Enterprise Management Partnership (Limited Partnership) (北京城科雲創企業管理合夥企業(有限合夥)), a limited partnership established in the PRC and an employee stock ownership platform company of BUCZT
“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 incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1599)
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and which are currently not listed or traded on any stock exchange
“Domestic Shareholder(s)”	holders of the Domestic Shares
“EGM”	the first extraordinary general meeting of the Company in 2021 to consider and, if thought fit, approve the resolutions in relation to (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement

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“Existing Non-competition Agreement”	the non-competition agreement entered into by BUCG and the Company on 24 January 2014 (please refer to the prospectus of the Company dated 25 June 2014 for details) as amended by the Supplemental Agreement I to the Non-competition Agreement and the Supplemental Agreement II to the Non-competition Agreement
“Fuzhou Metro Group”	Fuzhou Metro Group Co., Ltd.(福州地鐵集團有限公司), a company established in the PRC with limited liability and an Independent Third Party
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors, namely Mr. Wang Guofeng, Mr. Ma Xufei, Mr. Sun Maozhu, Mr. Liang Qinghuai and Mr. Qin Guisheng, for the purpose of advising the Independent Shareholders in respect of (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement

DEFINITIONS

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement
“Independent Shareholders”	Shareholders other than those required by the Listing Rules to abstain from voting on the resolutions at the EGM in relation to (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement
“Independent Third Party(ies)”	any person who and whose ultimate beneficial owner are independent of and not connected to the directors, chief executives and substantial shareholders of the Company and any of its subsidiaries or their respective associates, and is not a connected person of the Company
“Integrated Services Framework Agreement”	the integrated services framework agreement entered into by the Company and BUCG on 8 November 2019, the details of which are set out in the Company’s announcement issued on 8 November 2019 and the Company’s circular dispatched on 12 December 2019
“Jiaxing Hezheng Chengzhi”	Jiaxing Hezheng Chengzhi Equity Investment Partnership (Limited Partnership) (嘉興和正城智股權投資合夥企業(有限合夥)), a limited partnership established in the PRC and an Independent Third Party
“Latest Practicable Date”	9 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which, for the purpose of this circular only, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC 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 Listing Rules
“Supplemental Agreement I to the Non-competition Agreement”	the supplemental agreement entered into by BUCG and the Company on 16 June 2014 to amend the Existing Non-competition Agreement entered into by BUCG and the Company on 24 January 2014, the details of which are set out in the prospectus of the Company dated 25 June 2014
“Supplemental Agreement II to the Non-competition Agreement”	the second supplemental agreement entered into by BUCG and the Company on 29 October 2015 to amend the Existing Non-competition Agreement, which was entered into by BUCG and the Company on 24 January 2014 and amended by the Supplemental Agreement I to the Non-competition Agreement entered into on 16 June 2014, the details of which are set out in the announcement issued on 29 October 2015 and the circular dispatched on 10 December 2015 of the Company

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“Supplemental Agreement III to the Non-competition Agreement”	the third supplemental agreement entered into by BUCG and the Company on 10 November 2021 to amend the Existing Non-competition Agreement, which was entered into by BUCG and the Company on 24 January 2014 and amended by the Supplemental Agreement I to the Non-competition Agreement entered into on 16 June 2014 and the Supplemental Agreement II to the Non-competition Agreement entered into on 29 October 2015
“Supplemental Agreement to the Integrated Services Framework Agreement”	the supplemental agreement to the Integrated Services Framework Agreement entered into by the Company and BUCG on 10 November 2021

LETTER FROM THE BOARD



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

Beijing Urban Construction Design & Development Group Co., Limited

北京城建设计发展集团股份有限公司

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

(Stock Code: 1599)

Members of the Board:

Executive Directors

Wang Hanjun

Li Guoqing

Non-executive Directors

Pei Hongwei (*Chairman*)

Wu Donghui

Shi Huaxin

Guan Jifa

Ren Yuhang

Su Bin

Wang Tao

Ren Chong

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

Ma Xufei

Sun Maozhu

Liang Qinghuai

Qin Guisheng

10 December 2021

To the Shareholders:

Dear Sir or Madam,

**(1) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
RELATING TO THE CAPITAL INCREASE IN BUCZT AND
DEEMED DISPOSAL OF SHAREHOLDING INTERESTS OF BUCZT;**

(2) CONNECTED TRANSACTION

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

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

(3) NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2021

I. INTRODUCTION

On behalf of the Board of Directors, I would like to invite you to attend the EGM to be held at Conference Room, Block A, 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 10:00 a.m. on Wednesday, 29 December 2021.

LETTER FROM THE BOARD

References are made to the announcement of the Company dated 10 November 2021 in relation to the discloseable transaction and connected transaction relating to the Capital Increase in BUCZT and deemed disposal of shareholding interests of BUCZT, the amendments to the Existing Non-competition Agreement and the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement.

The purpose of this circular is to provide you with:

- (i) further information on the Capital Increase in BUCZT and deemed disposal of shareholding interests of BUCZT, including details of the Capital Increase Agreement;
- (ii) further information on the amendments to the Existing Non-competition Agreement, including details of Supplemental Agreement III to the Non-competition Agreement;
- (iii) details on the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement;
- (iv) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement;
- (v) a letter from the Independent Financial Adviser, which sets out the opinions and recommendations of the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation to (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement;
- (vi) a notice of the EGM; and
- (vii) other information as required under the Listing Rules.

II. CAPITAL INCREASE AGREEMENT

On 10 November 2021 (after the trading hours of the Hong Kong Stock Exchange), the Company and BUCG, Chengke Yunchuang Enterprise Management, Fuzhou Metro Group, Jiaying Hezheng Chengzhi, BUCIC and BUCZT entered into the Capital Increase Agreement,

LETTER FROM THE BOARD

pursuant to which, BUCG, Chengke Yunchuang Enterprise Management, Fuzhou Metro Group and Jiaxing Hezheng Chengzhi agreed to subscribe for 27,883,000, 17,220,500, 15,680,000 and 5,460,000 shares of BUCZT at considerations of RMB142,203,300, RMB87,824,600, RMB79,968,000 and RMB27,846,000, respectively.

The principal terms of the Capital Increase Agreement are summarized as follows:

(1) Date

10 November 2021

(2) Parties

- (i) BUCG;
- (ii) Chengke Yunchuang Enterprise Management;
- (iii) Fuzhou Metro Group;
- (iv) Jiaxing Hezheng Chengzhi;
- (v) the Company;
- (vi) BUCIC; and
- (vii) BUCZT

(3) Capital Increase

The registered capital of BUCZT will be increased from RMB70,000,000 to RMB136,243,500 upon the completion of the Capital Increase.

Pursuant to the Capital Increase Agreement, BUCG, Chengke Yunchuang Enterprise Management, Fuzhou Metro Group and Jiaxing Hezheng Chengzhi agreed to subscribe for 27,883,000, 17,220,500, 15,680,000 and 5,460,000 shares of BUCZT at considerations of RMB142,203,300, RMB87,824,600, RMB79,968,000 and RMB27,846,000, respectively.

LETTER FROM THE BOARD

The following table sets forth the shareholders of and their shareholding in BUCZT as at the Latest Practicable Date and upon the completion of the Capital Increase:

Shareholders	As at the Latest Practicable Date		Upon the completion of the Capital Increase	
	Shareholding (‘0,000)	Percentage of shareholding	Shareholding (‘0,000)	Percentage of shareholding
		(%)		(%)
BUCG	2,100	30.00	4,888.30	35.88
The Company	4,200	60.00	4,200.00	30.83
BUCIC	700	10.00	700.00	5.14
Chengke Yunchuang Enterprise Management	–	–	1,722.05	12.64
Fuzhou Metro Group	–	–	1,568.00	11.51
Jiaxing Hezheng Chengzhi	–	–	546.00	4.01
Total	7,000	100.00	13,624.35	100.00

Note: The aggregate of percentage figures in the above table may exceed 100% due to rounding of the percentage figures to two decimal places.

Upon the completion of the Capital Increase, BUCZT will cease to be a subsidiary of the Company and become an associate of the Company and therefore, its financial results upon the completion of the Capital Increase will not be consolidated in the financial statements of the Company.

(4) Basis of Consideration and Valuation of BUCZT

On 24 August 2021, the Capital Increase project of BUCZT was officially publicly tendered on the China Beijing Equity Exchange in accordance with the relevant regulations on supervision of state-owned assets. The initial price at the public tender is RMB5.10 per Share. The deadline for public tender of the Capital Increase project was 25 October 2021. On 26 October 2021, the China Beijing Equity Exchange sent the “Opinions on the Qualification Review of Prospective Investors” (《意向投資方資格審核意見書》) to BUCZT, informing BUCZT that Fuzhou Metro Group and Jiaxing Hezheng Chengzhi submitted the Investment Application (《投資申請書》) and relevant materials during its public tender, and the two companies met the qualifications of the prospective investors after the qualification review. Therefore, BUCZT solicited through public tender on China Beijing Equity Exchange and identified Fuzhou Metro Group and Jiaxing Hezheng Chengzhi as investors of the Capital Increase in accordance to relevant regulations, and determined the price of the Capital Increase (being RMB5.10 per Share). The price of the Capital Increase of Chengke Yunchuang Enterprise Management and BUCG was determined with reference to the price of the Capital Increase of Fuzhou Metro Group and Jiaxing Hezheng Chengzhi. The price of the Capital Increase was determined based on the assessed value of net assets of BUCZT as of 31 May 2021, which has filed with the state-owned asset supervisory and management authorities, and shall not be lower than that assessed value.

LETTER FROM THE BOARD

The net asset value of BUCZT as of 31 May 2021 was RMB356,916,300, which was determined based on the income approach adopted in the valuation report. Summary of the valuation report is set out in Appendix I to this circular, including the reasons for adoption of the income approach in the valuation, methods and assumptions adopted by the independent valuer, valuation scope and results.

The assumptions contained in the valuation report on BUCZT are as follows:

(i) Basic assumptions

- (1) Open market assumption assumes that the parties to an asset trading or a proposed asset trading in the market are dealing with each other at arm's length and have the opportunities and time to obtain sufficient market information to make rational judgments as to the function, usage and trading price of the asset.
- (2) Transaction assumption assumes that all the assets to be valued are already in the process of transaction, and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued. Transaction assumption is the most basic assumption for asset valuation; and
- (3) Going concern assumption assumes that the appraised entity will not cease operation for any reason in the foreseeable future, but will continue to operate lawfully with its existing assets and resources.

(ii) General assumptions

- (1) It is assumed that there will be no significant changes to the relevant prevailing laws, regulations and policies, or macro-economic situations in the PRC as well as the political, economic and social environment of regions where the parties to the transaction are located;
- (2) It is assumed that there will be no significant changes to the interest rate, exchange rate, taxation base and tax rate, policy-imposed levies relating to the appraised entity subsequent to the valuation base date;
- (3) It is assumed that the management of the appraised entity is responsible, stable and capable of taking on its duties subsequent to the valuation base date;
- (4) Unless otherwise stated, it is assumed that the appraised entity fully complies with all relevant laws and regulations.

LETTER FROM THE BOARD

(iii) Forecast assumptions under the income approach and other special assumptions

- (1) Unless otherwise stated, it is assumed that the appraised entity fully complies with all relevant laws and regulations;
- (2) It is assumed that the values of various parameters measured in the valuation are determined based on the current pricing system, without taking into account the effect from inflation subsequent to the valuation base date;
- (3) It is assumed that there is no force majeure and unforeseeable factors which may have a material adverse impact on the appraised entity subsequent to the valuation base date;
- (4) It is assumed that the accounting policies adopted by the appraised entity subsequent to the valuation base date will be consistent in material aspects with those adopted in the preparation of the valuation report;
- (5) It is assumed that the business scope and method of operation of the appraised entity subsequent to the valuation base date will be consistent with those in existence on the basis of the existing management model and level;
- (6) It is assumed that there will be no significant change to relevant prevailing laws and regulations on the recognition of high and new technology enterprises in the future and the appraised entity can meet the conditions for recognizing as a high and new technology enterprise and can continuously enjoy preferential policies on the levy of income tax at 15%.

After review on the valuation report and taking into account (i) the independent valuer has prepared the valuation report based on procedures, standards, laws and regulations of the PRC on valuation; (ii) the independent valuer has reviewed the financial data, operating data and other relevant data in relation to BUCZT to understand the company comprehensively; and (iii) the reasons for adoption of the income approach in the valuation, methods and assumptions adopted by the independent valuer, valuation scope and valuation results, the Directors believe that the valuation results reflect the value of BUCZT and are fair and reasonable.

Ernst & Young, the reporting accountant of the Company, has reviewed the arithmetical accuracy of the calculations of the discounted cash flow forecast on which the valuation is based, without involving the reasonability of the accounting policies and assumptions adopted. The Board has confirmed that the profit forecast (including the assumptions) of BUCZT set out in the valuation report are made after due and careful enquiry. Letters from Ernst & Young and the Board are set out in Appendix II and Appendix III to this circular, respectively.

LETTER FROM THE BOARD

(5) Conditions Precedent

The Capital Increase Agreement will come into force immediately upon obtaining approvals from the general meeting of the Company and BUCZT, respectively.

(6) Payment Terms

All funds for the Capital Increase shall be paid in cash. BUCG, Chengke Yunchuang Enterprise Management, Fuzhou Metro Group and Jiaxing Hezheng Chengzhi shall pay the funds for the Capital Increase to the bank account designated by BUCZT within one business day after the Capital Increase Agreement becomes effective.

(7) Use of Proceeds from the Capital Increase

The proceeds from the Capital Increase obtained by BUCZT will be used to supplement its working capital, repay short-term borrowings, and are proposed to be used for the research and development of cloud-based train automatic operation control system, limbic system and emergency management commanding system.

As at the Latest Practicable Date, the Company expects that the proceeds from the Capital Increase will not be used for purposes other than those mentioned above.

(8) Profit and Loss during the Transitional Period

The profit and loss of BUCZT during the transitional period, a period commencing from the valuation base date (i.e. 31 May 2021) to the date of completing the change of registration with industry and commerce department for the Capital Increase, shall be shared by the new and old shareholders in proportion to their shareholdings after the completion of the Capital Increase. As the consideration for the Capital Increase is based on the valuation of the net asset value of BUCZT, which adopted the income approach, the expected profit of BUCZT has been reflected in the consideration for the Capital Increase, and the Directors consider that it is commercially reasonable for the profit and loss of BUCZT during the transitional period to be shared by the new and old shareholders after the Capital Increase in proportion to their shareholdings.

LETTER FROM THE BOARD

(9) Reasons for and Benefits of Entering into the Capital Increase Agreement

The Directors (excluding the independent non-executive Directors, whose view on relevant matter are set out in the section headed “Letter from the Independent Board Committee” in this circular after considering the advice from the Independent Financial Adviser) are of the view that the major reasons for and benefits of entering into the Capital Increase Agreement are as follows:

- (i) *The principal business of BUCZT is not the key direction of the Company’s business development with lower proportion to the business revenue and smaller contribution to historical performance*

BUCZT is a company established in the PRC with limited liability on 10 October 2014, and its principal business 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.

The Company, as a company developed around the design, survey and consultancy business for rail transit, subsequently commences to engage in construction contracting business with an aim to specifically establish a dual-major business pattern. However, the principal business of BUCZT is not the key development direction of the Company.

The Company then established BUCZT in order to expand the rail transit market. However, due to fierce competition in the product market in which BUCZT was involved, its early-stage business mainly relied on the Company’s support in its strengths in industrial chain and projects at hand, and the historical performance contribution ratio was relatively low. For the year ended 31 December 2020, the percentage of the revenue of BUCZT to the revenue of the Company was 5.54%. In addition, the net profit of BUCZT accounted for 4.26% for the year ended 31 December 2020. The Company’s investment returns on BUCZT is mainly realized through the profit distribution obtained from BUCZT according to the proportion of shareholding. Accordingly, the Directors believe that no material impact will be caused by BUCZT on the business development and performance of the Company.

The Company and other proprietors of relevant intangible assets (including BUCZT) also agreed that the relevant intangible assets which are mainly software copyrights for products and services related to the rail transit will be transferred to BUCZT. As these relevant intangible assets are not related to the Company’s principal business and have only been used by BUCZT in the past, the Company confirmed that the transfer of these relevant intangible assets will not have a material impact on the business of the Company.

LETTER FROM THE BOARD

(ii) As BUCZT has a large demand for financing, and the Company optimizes resource allocation and focuses on the development of the dual-major business pattern, it is difficult to continuously invest a large amount of funds to meet its development requirements

Since its establishment, BUCZT has successively involved in the completion of projects such as Kunming Line 4 and Taiyuan Line 2, and has undertaken projects such as Shaoxing Line 1, which drives its financing demand increase significantly. Therefore, BUCZT has increased efforts in financing with the gearing ratio continually increasing. As of the end of 2020, the gearing ratio exceeded 90%. Meanwhile, BUCZT has recorded a large amount of uncollected receivables with contingent risks from offering products and services to various engineering projects across the PRC during its past development history. As of 31 December 2020, the original value of trade receivables of BUCZT was RMB433,371,600 and the provision for impairment was RMB31,061,400.

Based on the needs of business development, the Company intends to invest resources mainly in the principal business fields such as rail transit design and engineering to improve the efficiency of resource utilization and further enhance the advantages of principal business. Given that the principal business of BUCZT is not the key direction of the Company's development, and its low performance contribution, high cash flow pressure, and large debt scale have affected the sustainable and sound development of the Company. Therefore, it is difficult for the Company to continuously invest a large amount of funds to meet BUCZT's development requirements and the Company has not arranged capital budget to support such financing of BUCZT. In addition, upon the completion of the Capital Increase in BUCZT, it is also beneficial to the optimization of the structure of assets and liabilities of the Company with the gearing ratio decreased.

(iii) The Company retains its significant influence on BUCZT, maintains a cooperative relationship, and continues to enjoy investment returns

BUCZT intends to introduce strategic investors in this financing to establish capital relationships with major customers in the market and promote market development. Meanwhile, BUCZT proposes to establish Chengke Yunchuang Enterprise Management to implement the Employee Stock Ownership Plan to effectively align the interests of employees and promote its sustainable and healthy development. The participation of such financing parties will significantly dilute the state-owned shareholding held by Beijing Municipality in BUCZT (such shareholding is held through BUCG). In order to meet the requirement of maintaining a controlling position for state-owned enterprises stipulated by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, BUCG, our controlling shareholder, intends to increase capital in BUCZT and become its controlling shareholder with an expected shareholding of approximately 35.88% in BUCZT upon the completion of the Capital Increase, while the shareholding of the Company in BUCZT is expected to be diluted to 30.83%.

LETTER FROM THE BOARD

Through the Capital Increase, BUCZT will become an affiliated enterprise of BUCG, and will rely on BUCG to seek more support in terms of capital and market expansion in the future. Although the Company will lose its control over BUCZT, it still holds a relatively high proportion of equity interest in BUCZT and retains significant influence on it (including the right to (i) submit proposals to the board of directors or the supervisory committee and request the convening of extraordinary general meetings; (ii) convene general meetings on its own; and (iii) nominate directors or supervisors), whereby it can participate in the future development of BUCZT and maintain its business synergies with BUCZT, and enjoy the return on investment according to the shareholding.

Besides, both the Company and BUCZT are controlled by BUCG. By leveraging this relationship, the Company is able to maintain the close business relationship with BUCZT alongside with BUCZT's business development. By continuing to cooperate with BUCZT closely, the Company can also take advantage of the synergies to further maintain its edges.

In addition, BUCZT shall introduce strategic investors through the Capital Increase and share enlargement, which will also help the Company establish cooperation with relevant parties, expand development channels and secure more potential business opportunities.

Although the profit after tax of BUCZT in 2020 has increased significantly compared with that in 2019, on the basis set out above, the Directors (including the independent non-executive Directors, who have considered the advice from the Independent Financial Adviser) are of the view that the terms of the Capital Increase Agreement are fair and reasonable and are made on normal commercial terms, and the Capital Increase is in the interests of the Company and its Shareholders as a whole.

(10) Financial Impact of the Transactions Contemplated under the Capital Increase on the Group

The shareholding of the Company in BUCZT will be reduced from 60% to approximately 30.83% upon the completion of the Capital Increase. BUCZT will cease to be a subsidiary of the Company and become an associate of the Company and therefore, its financial results upon the completion of the Capital Increase will not be consolidated in the financial statements of the Company. Assuming that the Capital Increase was completed on 31 December 2020, after which it was expected the total assets of the Group would decrease by approximately RMB798,522,594.66, representing approximately 3.90% of the total assets of the Company, and the total liabilities would decrease by approximately RMB751,868,723.01, representing approximately 4.91% of the total liabilities of the Company. The gearing ratio of the Company would reduce by approximately 0.8%. The Directors are of the view that the Capital Increase will not have a material impact on the Group's financial results.

After deducting the expenses for the Capital Increase, it is expected that no gains or losses will be recorded by the Company from the Capital Increase.

LETTER FROM THE BOARD

(11) Implications of the Listing Rules

According to the Capital Increase Agreement, the shareholding of the Company in BUCZT will be reduced from 60% to approximately 30.83% upon the completion of the Capital Increase. Therefore, the Capital Increase will constitute a deemed disposal under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio of the transactions contemplated under the Capital Increase Agreement exceeds 5% but is lower than 25%, the transactions contemplated under the Capital Increase Agreement will constitute a discloseable transaction of the Company, which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, BUCG held 42.34% of the issued shares of the Company and was the controlling shareholder and connected person of the Company under the Listing Rules. In accordance with the Chapter 14A of the Listing Rules, the Capital Increase Agreement entered into by the Company and BUCG and transactions contemplated thereunder will constitute a connected transaction, which are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Each of Mr. Pei Hongwei (being a director, the general manager and the deputy secretary of the Party Committee of BUCG), Ms. Wu Donghui (being the assistant to the general manager of BUCG) and Ms. Shi Huaxin (being the head of the capital operation department of BUCG), our Directors, is deemed to have material interests in the above-mentioned transactions by virtue of their senior positions in BUCG. Therefore, such Directors have abstained from voting on the Board resolution approving the above-mentioned transactions in accordance with the requirements of the Articles of Association and the Listing Rules.

In accordance with the requirements of the Listing Rules, the Independent Board Committee comprising the independent non-executive Directors, namely Mr. Wang Guofeng, Mr. Ma Xufei, Mr. Sun Maozhu, Mr. Liang Qinghuai and Mr. Qin Guisheng has been established for the purpose of advising the Independent Shareholders in respect of, among others, the entering into of the Capital Increase Agreement and transactions contemplated thereunder.

The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and Independent Shareholders in respect of, among others, the entering into of the Capital Increase Agreement and transactions contemplated thereunder.

LETTER FROM THE BOARD

(12) Information about the Parties

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 with limited liability under the Beijing Municipal People's Government, which is principally engaged in the businesses of engineering contracting, real estate development, mechanical construction, equipment installation, construction machinery and equipment as well as vehicle leasing and property management. The ultimate actual controller of BUCG is the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

Information on BUCIC

BUCIC is principally engaged in the business of electrical and mechanical equipment installation, and has successively undertaken thousands of industrial, civil and rail transit installation projects at home and abroad. BUCIC is held as to 24% by BUCG and its accounts are consolidated into the accounts of BUCG. BUCIC is a non-wholly owned subsidiary of BUCG under the Listing Rules. BUCIC is held as to 15%, 15%, 11.2264% and the remaining aggregate of 34.7736% by Shanghai Taiyu Group Co., Ltd. (上海泰裕集團有限公司), which is held as to 60% and 40% by Qian Weili and Zhang Dapeng, respectively, Beijing Kunxin Holding Group Co., Ltd. (北京堃鑫控股集團有限公司), which is held as to 50% and 50% by Zhu Haoning and Zhu Haoyu, respectively, Beijing Xinguan Hengtong Technology Co., Ltd. (北京鑫冠恆通科技有限公司), which is held as to 40%, 40% and 20% by Zhou Yupeng, Zhu Yihong and Zhu Yanzhe, respectively, and 13 natural persons (all being Independent Third Parties), respectively.

Information on Chengke Yunchuang Enterprise Management

Chengke Yunchuang Enterprise Management is an employee stock ownership platform company of BUCZT established by core employees of BUCZT with their personal funds for the purpose of the employee incentive programs of the BUCZT. As at the Latest Practicable Date, Ms. Tian Hongjie served as the executive partner of Chengke Yunchuang Enterprise Management. The shares of limited partners of Chengke Yunchuang Enterprise Management are ultimately beneficially owned by the employees of BUCZT, which does not include the substantial shareholders, Directors, Supervisors or senior management of the Company and its connected persons. The business scope of Chengke Yunchuang Enterprise Management is corporate management and corporate consulting.

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Information on Fuzhou Metro Group

Fuzhou Metro Group is principally engaged in the investment, planning, construction, operation, management and development and utilization of space resources along the line and underground of Fuzhou rail transit projects. The ultimate actual controller of Fuzhou Metro Group is the State-owned Assets Supervision and Administration Commission of Fuzhou Municipal People's Government. To the best of the knowledge and belief of the Directors having made all reasonable enquiries, Fuzhou Metro Group and its ultimate actual controller are Independent Third Parties.

Information on Jiaxing Hezheng Chengzhi

Jiaxing Hezheng Chengzhi is principally engaged in equity investment and related consulting services. Jiaxing Hezheng Chengzhi is held as to 99.5025% and 0.4975% by Beijing Henglixinyuan Technology Investment Co. Limited (whose ultimate owner is Hong Kong Henglixinyuan Technology Investment Co. Limited) and Beijing Hezheng Asset Management Co., Ltd. (whose actual controller is Mr. Xu Ming). Hong Kong Henglixinyuan Technology Investment Co. Limited is a company established in Hong Kong with limited liability in January 2020, and its actual controller is Mr. Tan Lizhang (譚利章). To the best of the knowledge and belief of the Directors having made all reasonable enquiries, Jiaxing Hezheng Chengzhi and its ultimate actual controller are Independent Third Parties.

Information on BUCZT

Immediately before the completion of the Capital Increase, BUCZT is a subsidiary of the Company. As of the Latest Practicable Date, the registered capital of BUCZT was RMB70 million and its 60%, 30% and 10% of equity interests were held by the Company, BUCG and BUCIC, respectively.

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 provide 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.

The shareholding of the Company in BUCZT will be reduced from 60% to approximately 30.83% upon the completion of the Capital Increase.

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Set out below is the summary of the pro forma consolidated financial information of BUCZT and its subsidiaries for the two years ended 31 December 2019 and 31 December 2020:

	Year ended 31 December 2019	Year ended 31 December 2020
	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>
Turnover	54,152.26	55,297.44
Profit/(loss) before tax	(24.15)	3,531.62
Profit after tax	361.84	3,439.28

The total owners' equity of BUCZT as at 31 May 2021 was approximately RMB82,448,300, and the net profit in 2019 and 2020 was approximately RMB3,618,400 and approximately RMB34,392,800, respectively, of which the revenue in 2019 was approximately RMB541,522,600 with a net profit margin of 0.67%; and the revenue in 2020 was approximately RMB552,974,400 with a net profit margin of 6.22%. In 2019, BUCZT was at a critical stage of transformation and upgrading to subway construction. On the one hand, it entered the market for the first time, and the costs related to the implementation of the project were not estimated sufficiently. On the other hand, BUCZT aimed to build a typical project in the market around the "cloud-based transportation automation system" to enhance its competitiveness in the market, and the related investment in manpower and material resources was relatively significant, all of which resulted in a relatively low revenue, and therefore the overall net profit margin of BUCZT was lower. In 2020, BUCZT realized initial market expansion based on the accumulated experience of the previous projects. The implementation of projects promoted the revenue to maintain a stable scale, while realizing reasonable returns and raising the net profit margin to a relatively stable and reasonable level.

(13) EGM

The EGM will be convened by the Company to seek the approval from the Independent Shareholders in respect of, among others, the entering into of the Capital Increase Agreement and transactions contemplated thereunder. For the details of the EGM, please refer to the section headed "V. EGM" in this circular.

III. AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT

(1) The Existing Non-competition Agreement

Reference is made to the Existing Non-competition Agreement, which is the non-competition agreement entered into by BUCG and the Company on 24 January 2014 as amended by the Supplemental Agreement I to the Non-competition Agreement signed by BUCG and the Company on 16 June 2014 and the Supplemental Agreement II to the Non-competition Agreement entered into by BUCG and the Company on 29 October 2015.

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

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

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

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

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

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

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In addition, the Existing Non-competition Agreement requires that, if the Company is restricted from bidding for an engineering and construction project by reason of:

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

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

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

the Company may in respect of:

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

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

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

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

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

BUCZT intends to implement Capital Increase, and BUCG will participate in the Capital Increase of BUCZT. Upon completion of the Capital Increase, BUCG will hold approximately 35.88% equity interests in BUCZT and is a controlling shareholder of BUCZT. The Company will hold approximately 30.83% equity interests in BUCZT and BUCZT will cease to be a subsidiary of the Company. Upon the completion of the Capital Increase, the Group will no longer engage in the Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit, and there will be no overlapping business between BUCZT and the Group.

As the Company's principal business is the provision of design, survey and consultancy services for rail transit engineering and the construction contracting business, the Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit of the Company were carried out by BUCZT before the completion of the Capital Increase, and there was no other subsidiary of the Company engaged in such business. The Group will also not engage in such business after entering into the Supplemental Agreement III to the Non-competition Agreement. Currently, the Group has no intention to engage in such business, but if the Group wishes to do so in the future, the Company will comply with the relevant regulations, including further amendments to the Existing Non-competition Agreement. Given that the core businesses of BUCZT, namely Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit, is not the key development and investment direction of the Company, the Company and BUCG have agreed to revise the Existing Non-competition Agreement to further clarify that the core businesses of the Company will exclude Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit (as defined below), and after BUCZT ceases to be a subsidiary of the Company, it can continue to engage in Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit without being restricted by the Existing Non-competition Agreement.

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

BUCG and the Company entered into the Supplemental Agreement III to the Non-competition Agreement on 10 November 2021. The supplemental agreement is conditional upon the approval of the Independent Shareholders at the EGM and the Capital Increase Agreement coming into force.

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Compared with the Existing Non-competition Agreement, the Supplemental Agreement III to the Non-competition Agreement has revised as follows:

- I. A clause is added to Article 2.2 of the Existing Non-competition Agreement as Clause 2.2.4, and the other expressions remain unchanged:

“Excluding businesses that mainly centred on the urban rail transit cloud-based transportation automation system, to provide research and development, production, 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 (the “Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit”).”

- II. The title of Article 3 of the Existing Non-competition Agreement is revised to “Article 3 Undertakings by the Parties” and the following content is added after Article 3.8 as Article 3.9:

“When the Company is engaged in rail transit related businesses, if the inseparable part of the businesses involves ‘Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit’, subject to not violating the relevant requirements of the construction unit and relevant laws and regulations such as bidding, the Company or its subsidiaries will give priority to subcontracting these businesses to BUCZT, a company owned by BUCG under the same conditions.”

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

Given that BUCZT intends to implement Capital Increase, and BUCG will participate in the Capital Increase of BUCZT. Upon completion of the Capital Increase, BUCG will hold approximately 35.88% equity interests in BUCZT and is a controlling shareholder of BUCZT. The Company will hold approximately 30.83% equity interests in BUCZT and BUCZT will cease to be a subsidiary of the Company. Therefore, in order to avoid new competition after BUCZT ceases to be a subsidiary of the Company, BUCG and the Company agreed to revise the Existing Non-competition Agreement and execute the Supplemental Agreement III to the Non-competition Agreement.

On the basis set out above, the Directors (including the independent non-executive Directors, who have considered the advice from the Independent Financial Adviser) are of the view that the Supplemental Agreement III to the Non-competition Agreement and the terms thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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(5) Implications of the Listing Rules

As at the Latest Practicable Date, BUCG held 42.34% of the issued shares of the Company and was the controlling shareholder and connected person of the Company under the Listing Rules. In accordance with Chapter 14A of the Listing Rules, amending the Existing Non-competition Agreement by entering into the Supplemental Agreement III to the Non-competition Agreement between the Company and BUCG constitutes a connected transaction of the Company and shall comply with the requirements of reporting, announcement and approval by the Independent Shareholders under the Listing Rules.

Each of Mr. Pei Hongwei (being a director, the general manager and the deputy secretary of the Party Committee of BUCG), Ms. Wu Donghui (being the assistant to the general manager of BUCG) and Ms. Shi Huaxin (being the head of the capital operation department of BUCG), our Directors, is deemed to have material interests in the above-mentioned transactions by virtue of their senior positions in BUCG. Therefore, such Directors have abstained from voting on the Board resolution approving the above-mentioned transactions in accordance with the requirements of the Articles of Association and the Listing Rules.

In accordance with the requirements of the Listing Rules, the Independent Board Committee comprising the independent non-executive Directors, namely Mr. Wang Guofeng, Mr. Ma Xufei, Mr. Sun Maozhu, Mr. Liang Qinghuai and Mr. Qin Guisheng, has been established for the purpose of advising the Independent Shareholders in respect of, among others, the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement III to the Non-competition Agreement.

The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of, among others, the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement III to the Non-competition Agreement.

(6) Information about the Parties

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 with limited liability under the Beijing Municipal People's Government, which is principally engaged in the businesses of engineering contracting, real estate development, mechanical construction, equipment installation, construction machinery and equipment as well as vehicle leasing and property management. The ultimate actual controller of BUCG is the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

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(7) EGM

The EGM will be convened by the Company to seek the approval from the Independent Shareholders in respect of, among others, the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement III to the Non-competition Agreement. For the details of the EGM, please refer to the section headed “V. EGM” in this circular.

IV. ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE INTEGRATED SERVICES FRAMEWORK AGREEMENT RESULTING FROM THE AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT

(1) Backgrounds of the Supplemental Agreement to the Integrated Services Framework Agreement

The Company and BUCG entered into the Integrated Services Framework Agreement on 8 November 2019, pursuant to which, BUCG, its subsidiaries and/or associates provide the Group with engineering construction related services, including but not limited to provision of labour, supply of raw materials, equipment leasing, proprietary technology support services and other services required by the Group to carry out its business.

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

Upon the Supplemental Agreement III to the Non-competition Agreement (details of which are set out in the section headed “Amendments to the Existing Non-competition Agreement” above) becoming effective, when the Company is engaged in rail transit related businesses, if the inseparable part of the businesses involves “Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit”, subject to not violating the relevant requirements of the construction unit and relevant laws and regulations such as bidding, the Company or its subsidiaries will give priority to subcontracting these businesses to BUCZT, a company owned by BUCG under the same conditions.

As such, the Company proposes to amend the Integrated Services Framework Agreement by entering into a supplemental agreement.

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(3) Reasons for and Benefits of the Supplemental Agreement to the Integrated Services Framework Agreement

The entering into of the Supplemental Agreement to the Integrated Services Framework Agreement is to further clarify the scope of continuing connected transactions relating to the Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit by amending the service scope of the services to be provided by BUCG to the Company under the existing Integrated Services Framework Agreement. The terms of the Supplemental Agreement to the Integrated Services Framework Agreement are in line with the co-operation arrangement between the Company and BUCG set out in the Supplemental Agreement III to the Non-competition Agreement. Any such continuing connected transactions will be reviewed annually by the independent non-executive Directors in accordance with the requirements of Rule 14A.55 of the Hong Kong Listing Rules and their confirmations, if confirmed, will be disclosed in the annual report of the Company. The auditors of the Company will also review annually and provide the auditors confirmation (if confirmed) to the Company on such continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules. In addition, in accordance with the terms of the Existing Non-competition Agreement (as amended), the independent non-executive Directors of the Company will also review the compliance by BUCG with the Existing Non-competition Agreement (as amended) and disclose the results of such review in the annual report of the Company.

On the basis set out above, the Directors (including the independent non-executive Directors, who have considered the advice from the Independent Financial Adviser) are of the view that the Supplemental Agreement to the Integrated Services Framework Agreement and the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(4) Implications of the Listing Rules

As at the Latest Practicable Date, BUCG held 42.34% of the issued shares of the Company and was the controlling shareholder and connected person of the Company under the Listing Rules. In accordance with Chapter 14A of the Listing Rules, as the highest percentage ratio (as defined in the Hong Kong Listing Rules) of the proposed annual cap for the provision of integrated services 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 and independent shareholders' approval requirements.

Each of Mr. Pei Hongwei (being a director, the general manager and the deputy secretary of the Party Committee of BUCG), Ms. Wu Donghui (being the assistant to the general manager of BUCG) and Ms. Shi Huaxin (being the head of the capital operation department of BUCG), our Directors, is deemed to have material interests in the above-mentioned

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transactions by virtue of their senior positions in BUCG. Therefore, such Directors have abstained from voting on the Board resolution approving the above-mentioned transactions in accordance with the requirements of the Articles of Association and the Listing Rules.

In accordance with the requirements of the Listing Rules, the Independent Board Committee comprising the independent non-executive Directors, namely Mr. Wang Guofeng, Mr. Ma Xufei, Mr. Sun Maozhu, Mr. Liang Qinghuai and Mr. Qin Guisheng has been established for the purpose of advising the Independent Shareholders in respect of, among others, entering into the Supplemental Agreement to the Integrated Services Framework Agreement.

The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of, among others, entering into the Supplemental Agreement to the Integrated Services Framework Agreement.

(5) Information about the Parties

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 with limited liability under the Beijing Municipal People's Government, which is principally engaged in the businesses of engineering contracting, real estate development, mechanical construction, equipment installation, construction machinery and equipment as well as vehicle leasing and property management. The ultimate actual controller of BUCG is the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

(6) EGM

The EGM will be convened by the Company to seek the approval from the Independent Shareholders in respect of, among others, the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement. For the details of the EGM, please refer to the section headed "V. EGM" in this letter.

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V. EGM

The EGM of the Company is to be held at Conference Room, Block A, 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 10:00 a.m. on Wednesday, 29 December 2021, to consider and approve: (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement. A notice convening the EGM is set out on pages N-1 to N-2 of this circular.

A proxy form for the EGM are also enclosed herewith.

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

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 December 2021 to Wednesday, 29 December 2021, 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 Friday, 24 December 2021. Shareholders whose names appear on the register of members of the Company on Wednesday, 29 December 2021 will be entitled to attend and vote at the EGM.

VI. VOTES BY WAY OF POLL

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

As at the Latest Practicable Date, BUCG holds 571,031,118 Domestic Shares of the Company, representing approximately 42.34% of the total issued share capital of the Company, and is the controlling shareholder of the Company and is deemed to have material interests in

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(1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement. BUCG and its associates (holding 571,031,118 Domestic Shares of the Company in aggregate, representing approximately 42.34% of the total issued share capital of the Company) shall, therefore, abstain from voting on the resolutions in relation to (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement at the EGM.

VII. RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, which sets out its recommendations to the Independent Shareholders, on page 33 to page 35 of this circular;
- (b) the letter from the Independent Financial Adviser, which sets out its opinions and recommendations to the Independent Board Committee and the Independent Shareholders, on page 36 to page 60 of this circular; and
- (c) further information set out in the appendices to this circular.

After considering the factors disclosed above and in the section headed “Reasons for and Benefits of Entering into the Capital Increase Agreement”, the Directors (excluding (i) the independent non-executive Directors, whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular; and (ii) each of Mr. Pei Hongwei (being a director, the general manager and the deputy secretary of the Party Committee of BUCG), Ms. Wu Donghui (being the assistant to the general manager of BUCG) and Ms. Shi Huaxin (being the head of the capital operation department of BUCG) has abstained from voting at the meeting of the Board to approve the Capital Increase Agreement by virtue of their senior positions in BUCG) are of the opinion that the Capital Increase Agreement and the terms thereof are fair and reasonable, on normal commercial terms, though not in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Capital Increase Agreement.

After considering the factors disclosed above and in the section headed “Reasons for and Benefits of the Supplemental Agreement III to the Non-competition Agreement”, the Directors (excluding (i) the independent non-executive Directors,

LETTER FROM THE BOARD

whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular; and (ii) each of Mr. Pei Hongwei (being a director, the general manager and the deputy secretary of the Party Committee of BUCG), Ms. Wu Donghui (being the assistant to the general manager of BUCG) and Ms. Shi Huaxin (being the head of the capital operation department of BUCG) has abstained from voting at the meeting of the Board to approve the Supplemental Agreement III to the Non-competition Agreement by virtue of their senior positions in BUCG) are of the opinion that the Supplemental Agreement III to the Non-competition Agreement and the terms thereof are fair and reasonable, on normal commercial terms, though not in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement III to the Non-competition Agreement.

After considering the factors disclosed in the section headed “Reasons for and Benefits of the Supplemental Agreement to the Integrated Services Framework Agreement” above, the Directors (excluding (i) the independent non-executive Directors, whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular; and (ii) each of Mr. Pei Hongwei (being a director, the general manager and the deputy secretary of the Party Committee of BUCG), Ms. Wu Donghui (being the assistant to the general manager of BUCG) and Ms. Shi Huaxin (being the head of the capital operation department of BUCG) has abstained from voting at the meeting of the Board to approve the Supplemental Agreement to the Integrated Services Framework Agreement by virtue of their senior positions in BUCG) are of the opinion that the Supplemental Agreement to the Integrated Services Framework Agreement and the terms thereof are fair and reasonable, on normal commercial terms and are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement.

VIII. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement:



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)

10 December 2021

To the Independent Shareholders:

Dear Sir or Madam,

- (1) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
RELATING TO THE CAPITAL INCREASE IN BUCZT AND
DEEMED DISPOSAL OF SHAREHOLDING INTERESTS OF BUCZT;**
- (2) CONNECTED TRANSACTION**
- (i) AMENDMENTS TO THE EXISTING NON-COMPETITION
AGREEMENT; AND**
- (ii) THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE
INTEGRATED SERVICES FRAMEWORK AGREEMENT RESULTING FROM
THE AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT**

INTRODUCTION

Reference is made to the circular dated 10 December 2021 issued by the Company to the Shareholders (the “**Circular**”, of which this letter forms a part). Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Gram Capital has been appointed as the Independent Financial Adviser and advised the Independent Board Committee and the Independent Shareholders in the same regard.

Your attention is drawn to:

- (a) the letter from the Board, which sets out the information about (i) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (ii) the amendments to the Existing Non-competition Agreement, on page 20 to page 26 of the Circular; and (iii) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement, on page 26 to page 29 of the Circular;
- (b) the letter from the Independent Financial Adviser, which sets out its advice to the Independent Board Committee and the Independent Shareholders, on page 36 to page 60 of the Circular; and
- (c) further information set out in the appendices to the Circular.

RECOMMENDATIONS

Having considered (1) the terms of the Capital Increase Agreement; (2) the terms of the Supplemental Agreement III to the Non-competition Agreement; (3) the terms of the Supplemental Agreement to the Integrated Services Framework Agreement; and (4) the advice and recommendations of the Independent Financial Adviser, and the principal factors and reasons considered by it in arriving at its opinions, we are of the opinion that (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder and (2) the amendments to the Existing Non-competition Agreement, though not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms; and the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Therefore, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (1) the entering into of the Capital Increase Agreement and transactions contemplated thereunder; (2) the amendments to the Existing Non-competition Agreement; and (3) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement resulting from the amendments to the Existing Non-competition Agreement.

Yours faithfully,

For and on behalf of the Independent Board Committee

Wang Guofeng

Ma Xufei

Sun Maozhu

Liang Qinghuai

Qin Guisheng

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

10 December 2021

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

Dear Sir/Madam,

**(1) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
RELATING TO THE CAPITAL INCREASE IN BUCZT AND
DEEMED DISPOSAL OF SHAREHOLDING INTERESTS OF BUCZT;**

(2) CONNECTED TRANSACTION

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

**(ii) THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE
INTEGRATED SERVICES FRAMEWORK AGREEMENT RESULTING FROM
THE AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Capital Increase; (ii) the entering into of the Supplemental Agreement III to the Non-competition Agreement (the “**Third Amendments**”); and (iii) the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement (the “**CCT Revision**”, together with the Capital Increase and the Third Amendments, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 December 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Capital Increase

On 10 November 2021, the Company and BUCG, Chengke Yunchuang Enterprise Management, Fuzhou Metro Group, Jiaxing Hezheng Chengzhi, BUCIC, and BUCZT (a 60%-subsidiary of the Company) entered into the Capital Increase Agreement, pursuant to which, BUCG, Chengke Yunchuang Enterprise Management, Fuzhou Metro Group and Jiaxing Hezheng Chengzhi agreed to subscribe for 27,883,000, 17,220,500, 15,680,000 and 5,460,000 shares of BUCZT at considerations of RMB142,203,300, RMB87,824,600, RMB79,968,000 and RMB27,846,000, respectively.

Upon completion of the Capital Increase, the registered capital of BUCZT will be owned as to 30.83% by the Company. Therefore, BUCZT will cease to be a subsidiary of the Company and become an associate of the Company; therefore, its financial results will not be consolidated in the financial statements of the Company.

With reference to the Board Letter, the Capital Increase constitutes a discloseable transaction and connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirement under Chapter 14 and Chapter 14A of the Listing Rules.

The Third Amendments

On 10 November 2021, BUCG and the Company entered into the Supplemental Agreement III to the Non-competition Agreement to amend certain terms of the Existing Non-competition Agreement (as amended by the Supplemental Agreement I to the Non-competition Agreement and the Supplemental Agreement II to the Non-competition Agreement).

The effectiveness of the Third Amendments is conditional on, among other things, the Capital Increase Agreement coming into force.

With reference to the Board Letter, the Third Amendments constitute a connected transaction of the Company and are subject to the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The CCT Revision

On 10 November 2021, the Company entered into the Supplemental Agreement to the Integrated Services Framework Agreement to further clarify the scope of continuing connected transactions relating to "the Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit" (as defined below) by amending the service scope of the services to be provided by BUCG to the Company under the existing Integrated Services Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, the CCT Revision constitutes a continuing connected transaction of the Company and is subject to the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Wang Guofeng, Mr. Ma Xufei, Mr. Sun Maozhu, Mr. Liang Qinghuai and Mr. Qin Guisheng, being all of the independent non-executive Directors, has been formed to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and the Company; or (ii) any services provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of BUCZT, and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report on the owners' equity attributable to BUCZT (the "**Valuation**

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Report”). The Valuation Report was prepared by an independent valuer, namely, 北京國融興華資產評估有限公司 (Beijing Guorong Xinghua Assets Appraisal Co., Ltd.*) (the “**Valuer**”). Since we are not experts in the valuation of assets or business, we have relied solely upon the Valuation Report for the appraised value of the owners’ equity attributable to BUCZT as at 31 May 2021 (the “**Appraised Value**”).

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, BUCG or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial information on the Group for the two years ended 31 December 2020 as extracted from the Company’s annual report for the year ended 31 December 2020 (the “**2020 Annual Report**”) and for the six months ended 30 June 2021 as extracted from the Company’s interim report for the six months ended 30 June 2021:

	For the six months ended 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	For the year ended 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>	For the year ended 31 December 2019 <i>RMB'000</i> <i>(Audited)</i>	Change from 2019 to 2020 %
Revenue	4,822,047	9,984,891	8,414,039	18.67
- Design, survey and consultancy	1,752,612	3,666,892	3,662,649	0.12
- Construction contracting	3,069,435	6,317,999	4,751,390	32.97
Profit attributable to the owners of the parent for the period/year	403,185	786,535	658,085	19.52

As depicted from the above table, the Group’s revenue for the year ended 31 December 2020 (“**FY2020**”) substantially increased by approximately 18.67% as compared to that for the year ended 31 December 2019 (“**FY2019**”), which was mainly attributable to the steady increase in the Company’s revenue driven by the Company’s commitment to design and investment, the increment created by promoting the layout of the whole industrial chain of urban rail transit and the resource synergy, its great efforts to expand the business scope of design, survey and consultancy and the scheduled operation of Kunming line 4 in the second half of 2020.

The Group also recorded a substantial increase of approximately 19.52% in profit attributable to the owner of the parent for FY2020 as compared to that for FY2019.

For the six months ended 30 June 2021 (“**1H2021**”), the Group achieved a revenue of approximately RMB4,822 million, representing an increase of approximately 11.18% as compared to the Group’s revenue of approximately RMB4,337 million for the corresponding period of 2020. The increase was mainly due to the Group’s focus on strengthening the performance of projects on hand, while actively expanding into and having presence in new railway markets such as low and medium capacity rail transportation, intercity railways and suburban railways, driving the steady growth of the Company’s revenue.

For 1H2021, the Group’s profit attributable to the owners of the parent amounted to approximately RMB403 million, representing an increase of approximately 13.25% as compared to that of approximately RMB357 million for the corresponding period of 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, upon the completion of the Capital Increase, BUCZT will cease to be a subsidiary of the Company and become an associate of the Company. As confirmed by the Directors, the Group (excluding BUCZT) (the “**Remaining Group**”) will no longer be engaged in the business of Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit (as defined below).

A. CAPITAL INCREASE

Information on BUCZT

With reference to the Board Letter, BUCZT is a company established in the PRC with limited liability in 10 October 2014, 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.

BUCZT was incorporated in the PRC on 10 October 2014 with registered capital of RMB70 million. As at the Latest Practicable Date, 60%, 30% and 10% of equity interests in BUCZT were held by the Company, BUCG and BUCIC, respectively.

Key financial information of BUCZT for the two years ended 31 December 2020 are set out below, which were extracted from the section headed “Information on BUCZT” of the Board Letter.

	For the year ended 31 December 2020 <i>(RMB'0,000)</i>	For the year ended 31 December 2019 <i>(RMB'0,000)</i>
Revenue	55,297.44	54,152.26
Profit after tax	3,439.28	361.84

With reference to the Board Letter, BUCZT recorded a slight increase in revenue for the year ended 31 December 2020 as compared to that for the year ended 31 December 2019; while a very significant increase in net profit for the year ended 31 December 2020 (i.e. approximately RMB34.4 million) as compared to that for the year ended 30 December 2019 (i.e. approximately RMB3.6 million). In 2019, BUCZT was at a critical stage of transformation and upgrading to subway construction. On the one hand, it entered the market for the first time, and the costs related to the implementation of the project were not estimated sufficiently. On the other hand, BUCZT aimed to build a typical project in the market around the “cloud-based transportation automation system” to enhance its competitiveness in the market, and the related investment in manpower and material resources was relatively significant, all of which resulted in a relatively low revenue, and therefore the overall net profit margin of BUCZT was lower.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In 2020, BUCZT realized initial market expansion based on the accumulated experience of the previous projects. The implementation of project promoted the revenue to maintain a stable scale, while realizing reasonable returns and raising the net profit margin to a relatively stable and reasonable level. As at 31 May 2021, BUCZT's total owners' equity amounted to approximately RMB82,448,300.

As advised by the Directors, BUCZT is a participant to rail transit related industry. We searched for certain statistics figures of the industry.

Set out below are the distance of the new operating railway lines (新增運營線路長度) in the PRC during the five years ended 31 December 2020, being the latest five full-year statistics published by the China Association of Metros* (中國城市軌道交通協會):

	2020	2019	2018	2017	2016
Distance of the new operating railway lines (kilometre)	1,233.5	974.8	728.7	879.9	534.8

As shown in the table above, the distance of the new operating railway lines in the PRC increased from approximately 534.8 kilometres for 2016 to 1,233.5 kilometres for 2020, representing a compound annual growth rate of 23.24%.

We also noted from the China Association of Metros (中國城市軌道交通協會) that the completed construction investment amount (for urban transportation lines) was approximately RMB628.6 billion in 2020, representing an annual growth rate of 5.5%; the length of construction-in-progress of urban transportation lines (在建線路總長) amounted to 6,798.5 kilometres in 2020, being close to that for previous year.

Information on the other parties

Set out below are the information of subscribers to the Capital Increase Agreement as extracted from the Board Letter:

BUCG and BUCIC

BUCG is a wholly state-owned enterprise with limited liability under the Beijing Municipal People's Government, which is principally engaged in the businesses of engineering contracting, real estate development, mechanical construction, equipment installation, construction machinery and equipment as well as vehicle leasing and property management. The ultimate actual controller of BUCG is the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. As at the Latest Practicable Date, BUCG held 42.34% of the issued shares of the Company and is the controlling shareholder of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BUCIC is principally engaged in the business of electrical and mechanical equipment installation, and has successively undertaken thousands of industrial, civil and rail transit installation projects at domestic and abroad. As at the Latest Practicable Date, BUCG held 24% of the issued shares of BUCIC.

Fuzhou Metro Group

Fuzhou Metro Group is principally engaged in the investment, planning, construction, operation, management and development and utilization of space resources along the line and underground of Fuzhou rail transit projects. The ultimate actual controller of Fuzhou Metro Group is the State-owned Assets Supervision and Administration Commission of Fuzhou Municipal People's Government. To the best of the knowledge and belief of the Directors having made all reasonable enquiries, Fuzhou Metro Group and its ultimate actual controller are Independent Third Parties.

Jiaxing Hezheng Chengzhi

Jiaxing Hezheng Chengzhi is principally engaged in equity investment and related consulting services. To the best of the knowledge and belief of the Directors having made all reasonable enquiries, Jiaxing Hezheng Chengzhi and its ultimate actual controller are Independent Third Parties.

Chengke Yunchuang Enterprise Management

Chengke Yunchuang Enterprise Management is an employee stock ownership platform company of BUCZT established by core employees of BUCZT with their personal funds for the purpose of the employee incentive programs of the BUCZT. As at the Latest Practicable Date, Ms. Tian Hongjie served as the executive partner of Chengke Yunchuang Enterprise Management. The shares of limited partners of Chengke Yunchuang Enterprise Management are ultimately beneficially owned by the employees of BUCZT. The business scope of Chengke Yunchuang Enterprise Management is corporate management and corporate consulting.

Reasons for and benefits of the Capital Increase

With reference to the Board Letter, the Directors are of the view that the major reasons for and benefits of entering into the Capital Increase Agreement are as follows: (i) the principal business of BUCZT is not the key direction of the Company's business development with lower proportion to the business revenue and smaller contribution to historical performance; (ii) as BUCZT has a large demand for financing, and the Company optimizes resource allocation and focuses on the development of the dual-major business pattern, it is difficult to continuously invest a large amount of funds to meet its development requirements; and (iii) the Company retains its significant influence on BUCZT, maintains a cooperative relationship, and continues to enjoy investment returns.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Improve financial position of the Group

With reference to the Board Letter, since BUCZT's establishment, BUCZT has successively involved in the completion of projects such as Kunming Line 4 and Taiyuan Line 2, and has undertaken projects such as Shaoxing Line 1, which drives its financing demand increase significantly. Therefore, BUCZT has increased efforts in financing with the gearing ratio continually increasing. We noted from the financial information of BUCZT for the year ended 31 December 2020 that BUCZT's asset-liability ratio (total liabilities divided by total assets) was over 90% as at 31 December 2020.

We understood from the Directors that, upon Completion, BUCZT will cease to be a subsidiary of the Company, which will be beneficial for the Remaining Group to improve the financial positions by way of, among other things, decrease the gearing ratio.

For Shareholders' information purpose only, the amount of guarantee provided by the Group to BUCZT was approximately RMB7.4 million as at 30 September 2021.

Refining business scope of the Group

As stated in the both 2021 Interim Report and 2020 Annual Report, the Group generates its revenue from (i) design, survey and consultancy segment and (ii) construction contracting segment where the Group provides services for infrastructure construction (in particular, urban rail transit).

As stated in the 2021 Interim Report, in April 2021, National Development and Reform Commission of the PRC (the "NDRC") issued Key Tasks for New Urbanization and Urban-Rural Integration Development in 2021 (《2021年新型城鎮化和城鄉融合發展重點任務》). Regarding rail transit, the document proposed the construction of urban clusters and metropolitan circles on the rails, acceleration of the planning and construction of intercity railways in key urban clusters such as the Beijing-Tianjin-Hebei, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area, and support of rational planning and construction of inter-city rail transit in other urban clusters provided that conditions allow. In the first half of 2021, the NDRC issued Multi-level Rail Transit Planning in Yangtze River Delta (《長江三角洲地區多層次軌道交通規劃》), Comprehensive Transportation Development Plan of the Twin-City Economic Circle in Chengdu-Chongqing Region (《成渝地區雙城經濟圈綜合交通運輸發展規劃》), approved the Fuzhou Metropolitan Area Development Plan; Nanjing City issued the Nanjing Metropolitan Area Development Plan (《南京都市圈發展規劃》), Hebei Province issued the "Implementation Opinions on Promoting the Accelerated Development of Urban (Suburb) Railways in the Metropolitan Circle"(《關於推動都市圈市域(郊)鐵路加快發展實施意見》), Shanghai's Comprehensive Transportation Planning Announcement during "14th Five-Year" period and other policies suggest that urban express rail/urban (suburban) railway will become a new transportation mode that effectively connects suburbs/urban urban clusters, and the importance and demand of urban express rail will be greatly increased.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, the Company, as a company developed around the design, survey and consultancy business for rail transit, subsequently commences to engage in construction contracting business with an aim to specifically establish a dual-major business pattern. However, the principal business of BUCZT is not the key development direction of the Company.

As also stated in the Board Letter, the Company then established BUCZT in order to expand the rail transit market. However, due to fierce competition in the product market in which BUCZT was involved, its early-stage business mainly relied on the Company's support in its strengths in industrial chain and projects at hand, and the historical performance contribution ratio was relatively low, therefore, no material impact will be caused by BUCZT on the business development and performance of the Company.

According to the financial information of BUCZT for the year ended 31 December 2020 as set out above, for FY2020 (i) BUCZT's revenue accounted for approximately 5.54% to that of the Group; (ii) BUCZT's net profit for FY2020 accounted for approximately 4.26% to that of the Group; and (iii) BUCZT's total assets accounted for approximately 3.79% to that of the Group. It indicated that there will be no material adverse impact to the financial performance and financial position of the Group should BUCZT ceases to be a subsidiary of the Company.
(Note)

Optimizing the shareholding structure and capital structure of BUCZT and protect the long-term interests of the Company

With reference to the Board Letter, based on the needs of business development, the Company intends to invest resources mainly in the principal business fields such as rail transit design and engineering to improve the efficiency of resource utilization and further enhance the advantages of principal business. Given that the principal business of BUCZT is not the key direction of the Company's development, and its low performance contribution, high cash flow pressure, and large debt scale have affected impact on the sustainable and sound development of the Company. Therefore, it is difficult for the Company to continuously invest a large amount of funds to meet BUCZT's development requirements and the Company has not arranged capital budget to support such financing of BUCZT.

Note: the aforesaid calculations were based on the figures as stated in financial accounts of the Company and BUCZT for FY2020, not taking into account the impact of elimination on consolidation by the Company.

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As advised by the Directors, upon Completion, BUCG will directly hold 35.88% equity interest in BUCZT and will become its largest shareholder, which will enhance the strategic importance of BUCZT. The abundant resources of BUCG may enable BUCZT to have more support in terms of capital and market development. According to the consolidated financial information of BUCG for the nine months ended 30 September 2021, BUCG's total assets amounted to approximately RMB370.2 billion (including monetary fund of approximately RMB35.2 billion) and net assets amounted to approximately RMB78.3 billion.

With reference to the Board Letter, the proceeds from the Capital Increase obtained by BUCZT will be used to supplement its working capital, repay short-term borrowings, and are proposed to be used for the research and development of cloud-based train automatic operation control system, limbic system and emergency management commanding system. As confirmed by the management of BUCZT, the proposed use of proceeds from the Capital Increase is expected to reduce its financial risks and improve its profitability.

Moreover, BUCZT intends to introduce strategic investors in this financing to establish capital relationships with major customers in the market and promote market development. Meanwhile, BUCZT proposes to establish Chengke Yunchuang Enterprise Management to implement the Employee Stock Ownership Plan to effectively align the interests of employees and promote its sustainable and healthy development.

As at the Latest Practicable Date, the Company held 60% of equity interest in BUCZT. Upon the completion of the Capital Increase, the Company will hold 30.83% equity interest in BUCZT and remain as one of the significant shareholders of BUCZT. As a shareholder of BUCZT, it enables the Company to enjoy the future development of BUCZT. Accordingly, we consider that it is reasonable for the Group to retain its interest in BUCZT to enjoy the possible benefits arising from future development of BUCZT.

Having considered the above reasons for and benefits of the Capital Increase, we are of the view that although the Capital Increase is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Major terms of the Capital Increase

Summarised below are the major terms for the Capital Increase, details of which are set out under the section headed “Capital Increase Agreement” of the Board Letter.

- Date: 10 November 2021
- Parties: (i) BUCG;
(ii) Chengke Yunchuang Enterprise Management;
(iii) Fuzhou Metro Group;
(iv) Jiaxing Hezheng Chengzhi;
(v) the Company;
(vi) BUCIC; and
(vii) BUCZT
- Capital Increase: The registered capital of BUCZT will be increased from RMB70,000,000 to RMB136,243,500 upon the completion of the Capital Increase.
- Pursuant to the Capital Increase Agreement, BUCG, Chengke Yunchuang Enterprise Management, Fuzhou Metro Group and Jiaxing Hezheng Chengzhi agreed to subscribe for 27,883,000, 17,220,500, 15,680,000 and 5,460,000 shares of BUCZT at considerations of RMB142,203,300, RMB87,824,600, RMB79,968,000 and RMB27,846,000, respectively.
- Basis of Consideration: With reference to the Board Letter, on 24 August 2021, the Capital Increase project of BUCZT was officially publicly tendered on the China Beijing Equity Exchange in accordance with the relevant regulations on supervision of state-owned assets. The initial price at the public tender is RMB5.10 per share. The deadline for public tender of the Capital Increase project was 25 October 2021. On 26 October 2021, China Beijing Equity Exchange sent the “Opinions on the Qualification Review of Prospective Investors” (《意向投資方資格審核意見書》) to BUCZT, informing BUCZT that Fuzhou Metro Group and Jiaxing Hezheng Chengzhi submitted the Investment Application (《投資申請書》) and relevant materials during its public tender, and the two companies met the qualifications of the prospective investors after the qualification review. Therefore BUCZT solicited through public tender on China Beijing Equity Exchange and identified Fuzhou Metro Group and Jiaxing Hezheng Chengzhi as investors of the Capital Increase in accordance to relevant regulations, and determined the price of the Capital Increase (being RMB5.10 per Share). The price of Capital Increase of Chengke Yunchuang Enterprise Management and BUCG was determined with reference to the price of the Capital Increase of Fuzhou Metro Group and Jiaxing Hezheng Chengzhi. The price of the Capital Increase was determined based on the assessed value of net assets of BUCZT as of 31 May 2021, which has filed with the state-owned asset supervisory and management authorities, and shall not be lower than that assessed value.

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The Appraised Value

To assess the fairness and reasonableness of the price of the Capital Increase (i.e. RMB5.10 per Share), we obtained and reviewed the Valuation Report. We noted from the Valuation Report prepared by the Valuer that the Appraised Value as at 31 May 2021 (the “**Valuation Base Date**”) was RMB356,916,300.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer; (ii) the Valuer’s qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation Report. From the mandate letter provided by the Valuer, we were satisfied with the terms of engagement of the Valuer. We also conducted reasonable checks to assess the relevant qualification, experience and expertise of the Valuer for the preparation of the Valuation Report.

Based on the information provided by the Valuer, we noticed that the Valuer, formerly known as China Construction assets appraisal office, was founded in 1992. In 1995, it obtained the securities industry asset appraisal qualification certificate jointly issued by China Securities Regulatory Commission and the former state asset management department, and was one of the earliest institutions engaged in securities industry asset appraisal business in China. The Valuer is a professional appraisal agency directly under the central government, standing director unit of China Appraisal Society and director unit of Beijing Appraisal Society. In 1999, with the approval of the Ministry of Finance and the former State-owned Assets Administration of Beijing Municipality, the Valuer became the first batch of large-scale central appraisal institutions to complete the decoupling and restructuring and obtain the qualification for state-owned assets appraisal and the qualification for securities industry appraisal. We also noted that the Valuer was ranked 13th according to “2021年資產評估機構綜合評價綜合得分前百家機構名單” (2021 Asset Appraisal Institutions Comprehensive Evaluation Comprehensive Score for First 100 Institutions*) published by China Appraisal Society in November 2021.

Therefore, we were satisfied with the Valuer’s qualification for preparation of the Valuation Report.

The Valuer also confirmed that they are independent to the Group, BUCG and BUCZT.

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In preparing the Valuation Report, the Valuer concluded the Valuation by discounted cash flow method under income approach. With reference to the Valuation Report and as confirmed by the Valuer, the Valuer considered each of the fundamental valuation approaches and is of the view that:

- under market approach, the companies that are comparable to the target company or the transactions that are comparable to that being conducted are made reference to reflect the valuation of the target company. However, the Valuer could not obtain similar transaction and similar companies to BUCZT. Accordingly, market approach was not adopted.
- under asset-based approach, the appraisal value reflects the value of the assets on the assumption that such assets were to be acquired in such conditions at the valuation base date. The prerequisites of asset-based approach are (i) the asset under valuation is in a continuous use or is assumed to be in use; and (ii) the availability of historical data. Despite that the valuation meets the conditions of asset-based approach, asset-based approach was not selected as the approach to finally conclude the Valuation due to the fact that it may not be able to reflect the comprehensive profitability and overall value of enterprises.
- under income approach, BUCZT's future profitability and intrinsic value were considered. The Valuer is therefore of the view that the valuation under income approach can more objectively and reasonably reflects the equity value.

We also noted from the Valuation Report that the Valuation Report was prepared by the Valuer in accordance with various requirements/standards, including 《資產評估基本準則》 (Asset Evaluation Standards – Basic Standards*) as issued by the Ministry of Finance of the PRC.

According to the 《資產評估基本準則》 (Asset Evaluation Standards – Basic Standards*), (i) the fundamental valuation approaches of assets valuation include income approach, market approach and asset-based approach, and (ii) the valuer should analyse the applicability of the three fundamental valuation approaches and select the valuation methodology.

Having considered that (i) the Valuation Report was prepared by the Valuer in accordance with various requirements/standards; (ii) the aforesaid reasons for not adopting market approach and asset-based approach to conclude BUCZT's valuation, we concur with the Valuer on the adoption of income approach for concluding the valuation.

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As the Valuer adopted income approach to conclude the Appraised Value. In such cases, it is stipulated under the Listing Rules that the Company is required to obtain:

- (i) a letter from the its auditors or reporting accountants confirming that they have reviewed the accounting policies and calculations for the forecast and containing their report; and
- (ii) a report from the its financial advisers confirming that they are satisfied that the forecast has been made by the directors after due and careful enquiry. If no financial advisers have been appointed in connection with the transaction, the Company must provide a letter from the board of directors confirming they have made the forecast after due and careful enquiry.

We consider that the above stipulation of the Listing Rules could safeguard the interest of the Shareholders. We noted that (i) the Company's auditor confirmed that in their opinion, so far as the arithmetical accuracy of the calculations of the Forecast (as defined in Appendix II to the Circular) is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions (as defined in Appendix II to the Circular) adopted by the Directors; and (ii) the Board believes that the Forecast is made after due and careful enquiry. For details of principal assumptions of the valuation, please refer to the section headed "Basis of Consideration and Valuation of BUCZT" of the Board Letter.

We also understood from the Valuer that various factors/assumptions were considered/adopted during the course of valuation, such as discount rate, risk-free rate, market expectation rate of return, etc..

- The revenues for the forecast period of June 2021 to December 2021 were based on the orders on hand as at the Valuation Base Date and the expected orders for FY2021, minus the revenue recognised from January 2021 to May 2021. The estimated growth rates in revenue from 2022 to 2024 were based on the current development of BUCZT and the industry that BUCZT was involved in; there was no further growth on revenue from 2025.

The annualised revenue of FY2021 (by dividing the forecast revenue for such period by 7 months and multiply by 12 months) represents a year-on-year growth rate of 38% as compared to the historical revenue for FY2020.

As explained by the management of BUCZT, the expected increase in BUCZT's revenue for FY2021 as compared to that for FY2020 was mainly due to more projects obtained by BUCZT for FY2021.

We noted that the Valuer made reference to the existing industry condition and the future industry development when assessing the growth rates applied to the forecast revenue. As mentioned above, the completed construction investment amount (for urban transportation lines) (全年共完成建設投資金額 (城軌交通)) was

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approximately RMB628.6 billion in 2020, represent an annual growth rate of 5.5%; the length of construction-in-progress of urban transportation lines amounted to 6,798.5 kilometres in 2020, being close to that for previous year.

We also noted that the implied growth rates in revenue from 2022 to 2024 (ranging from approximately 4% to 6%) were close to the annual growth in construction investment amount (for urban transportation lines) from 2019 to 2020 of 5.5%. Accordingly, we consider that the estimated revenue from 2022 to 2024 to be justifiable.

- The forecasted costs were mainly determined with reference to the historical cost level of BUCZT. We noted that the forecasted net profit margin for the forecasted period were at similar level as the respective historical figures for FY2020. As such, we consider that the costs of BUCZT for the forecast period were justifiable.
- We noted from the valuation report that the Valuer adopted the discount rate of 11.54% when applying discounted cash flow method under income approach in the Valuation. The discount rate was calculated based on the weighted average of capital cost.

We noted that the Valuer used the capital asset pricing model (the “CAPM”) to estimate cost of equity of BUCZT. In arriving at the cost of equity, the Valuer considered factors such as (i) risk free rate; (ii) expected risk premium; (iii) the systematic risk as compared to the market as a whole (β); and (iv) the specific risk premium.

For our due diligence purposes, we performed the following analyses:

- We understood that the CAPM techniques is widely accepted for the purpose of estimating required rate of return of equity;
- The Valuer adopted 3.60% as risk free rate, which is determined with reference to the PRC sovereign debt with remaining maturity of more than 10 years from the Valuation Base Date. We searched for the compound interest rates of the PRC’s government bonds with remaining maturity of more than 10 years from the Valuation Base Date and noted the average compound interest rate is approximately 3.91%.
- We obtained the list of comparable companies used for the calculation of re-levered beta and searched for the beta of these selected comparable companies through Wind Financial Terminal. We noted that the beta adopted by the Valuer was in line with those as extracted from Wind Financial Terminal.
- According to the valuation report, the Valuer adopted 7.07% as market risk premium.

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In arriving at the cost of debt, we noticed the Valuer adopted BUCZT's weighted average interest rate, based on the interest-bearing liabilities of BUCZT as at the Valuation Base Date.

Based on the above and information/documents (e.g. explanation to key factors, calculations, etc.) in respect of the valuation provided to us by the Valuer/Company/BUCZT and having considered the Valuer's qualification and experience, we have not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the valuation (including value of the surplus or non-operating assets (liabilities)).

Having also considered our due diligence work on the Valuation Report as mentioned above, we consider the principal bases and assumptions adopted for the Valuation to be reasonable.

The price of Capital Increase (i.e. RMB5.10 per share) represents the implied value per share of BUCZT of approximately RMB5.10 per share, based on the Appraised Value of RMB356,916,300 as at 31 May 2021 divided by the registered capital of BUCZT of RMB70,000,000 as at 31 May 2021. Accordingly, we consider the price of Capital Increase of RMB5.10 per share to be fair and reasonable.

Conditions Precedent

The Capital Increase Agreement will come into force immediately upon obtaining approvals from the general meeting of the Company and BUCZT, respectively.

As at the Latest Practicable Date, the conditions precedent did not fulfil.

Payment Terms

All funds for the Capital Increase shall be paid in cash. BUCG, Chengke Yunchuang Enterprise Management, Fuzhou Metro Group and Jiaying Hezheng Chengzhi shall pay the funds for the Capital Increase to the bank account designated by BUCZT within one business day after the Capital Increase Agreement becomes effective.

Profit and Loss in the Transitional Period

The profit and loss of BUCZT during the transitional period, a period commencing from the valuation base date (i.e. 31 May 2021) to the date of completing the change of registration with industry and commerce department for the Capital Increase, shall be shared by the new and old shareholders in proportion to their shareholdings after the completion of the Capital Increase.

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Having considered that the consideration of the Capital Increase was based on the initial price of public tender on China Beijing Equity Exchange, which equals to the minimum consideration with reference to its Appraised Value (by income approach) as at 31 May 2021; and the profit or loss from Valuation Base Date to the completion date was considered in the process of the Appraised Value, we consider the arrangement for profit and loss to be reasonable.

Having reviewed and considered the terms of the Capital Increase, in particular the key terms as listed above (including the consideration for the Capital Increase being fair and reasonable; and no abnormal term observed) and that the terms also applied to the strategic investors who are Independent Third Parties, we are of the view that the terms of the Capital Increase are on normal commercial terms and are fair and reasonable.

Possible financial effects of the Capital Increase

Upon the completion of the Capital Increase, BUCZT will cease to be a subsidiary of the Company and become an associate of the Company and therefore, its financial results upon the completion of the Capital Increase will not be consolidated in the financial statements of the Company.

After deducting the expenses for the Capital Increase, it is expected that no gains or losses will be recorded by the Company from the Capital Increase. Please refer to the section headed “Financial Impact of the Transactions Contemplated under the Capital Increase on the Group” for further financial impact of the Group due to the Capital Increase.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Capital Increase.

Recommendation on the Capital Increase

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Capital Increase are on normal commercial terms and are fair and reasonable; and (ii) although the Capital Increase is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Capital Increase and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

B. THE THIRD AMENDMENTS

Background of the Third Amendments

Reference is made to the Existing Non-competition Agreement, which is the non-competition agreement entered into by BUCG and the Company on 24 January 2014 as amended by the Supplemental Agreement I to the Non-competition Agreement signed by BUCG and the Company on 16 June 2014 and the Supplemental Agreement II to the Non-competition Agreement entered into by BUCG and the Company on 29 October 2015. Please refer to the section headed “The Existing Non-competition Agreement” for details.

BUCZT intends to implement Capital Increase, and BUCG will participate in the Capital Increase of BUCZT. Upon completion of the Capital Increase, BUCG will hold approximately 35.88% equity interests in BUCZT. The Company will hold approximately 30.83% equity interests in BUCZT and BUCZT will cease to be a subsidiary of the Company. Upon the completion of the Capital Increase, the Group will no longer engage in the Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit (as defined below), and there will be no overlapping business between BUCZT and the Group.

As the Company’s principal business is the provision of design, survey and consultancy services for rail transit engineering and the construction contracting business, the Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit of the Company were carried out by BUCZT before the completion of the Capital Increase, and there was no other subsidiary of the Company engaged in such business. The Group will also not engage in such business after entering into the Supplemental Agreement III to the Non-competition Agreement. Currently, the Group has no intention to engage in such business, but if the Group wishes to do so in the future, the Company will comply with the relevant regulations, including further amendments to the Existing Non-competition Agreement. Given that the core businesses of BUCZT, namely Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit (as defined below), is not the key development and investment direction of the Company, the Company and BUCG have agreed to revise the Existing Non-competition Agreement to further clarify that the core businesses of the Company will exclude Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit (as defined below) and after BUCZT ceases to be a subsidiary of the Company, it can continue to engage in Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit (as defined below) without being restricted by the Existing Non-competition Agreement.

On 10 November 2021, BUCG and the Company entered into the Supplemental Agreement III to the Non-competition Agreement. The supplemental agreement is conditional upon the approval of the Independent Shareholders at the EGM and the Capital Increase Agreement coming into force.

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Compared with the Existing Non-competition Agreement, the Supplemental Agreement III to the Non-competition Agreement was revised as follows:

- I. A clause is added to Article 2.2 of the Existing Non-competition Agreement as Clause 2.2.4, and the other expressions remain unchanged:

“Excluding businesses that mainly centred on the urban rail transit cloud-based transportation automation system, to provide research and development, production, 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 (the “**Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit**”).”

- II. The title of Article 3 of the Existing Non-competition Agreement is revised to “Article 3 Undertakings by the Parties” and the following content is added after Article 3.8 as Article 3.9:

“When the Company is engaged in rail transit related businesses, if the inseparable part of the businesses involves “Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit”, subject to not violating the relevant requirements of the construction unit and relevant laws and regulations such as bidding, the Company or its subsidiaries will give priority to subcontracting these businesses to BUCZT, a company owned by BUCG, under the same conditions.”

Save for the abovesaid amendments, other terms of the Non-competition Agreement shall remain unchanged.

Reasons for and benefits of the Third Amendments

With reference to the Board Letter, given that BUCZT intends to implement Capital Increase, and BUCG will participate in the Capital Increase of BUCZT. Upon completion of the Capital Increase, BUCG will hold approximately 35.88% equity interests in BUCZT. The Company will hold approximately 30.83% equity interests in BUCZT and BUCZT will cease to be a subsidiary of the Company. Therefore, in order to avoid new competition after BUCZT ceases to be a subsidiary of the Company, BUCG and the Company agreed to revise the Existing Non-competition Agreement and execute the Supplemental Agreement III to the Non-competition Agreement.

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In assessing the fairness and reasonableness of the terms of the Third Amendments, we took into account the following factor:

- (i) the Capital Increase is in the interests of the Company and the Shareholders as a whole and the terms of the Capital Increase are fair and reasonable according to our analysis above. However, the Existing Non-competition Agreement is not applicable to the situation upon the completion of the Capital Increase;
- (ii) upon the completion of Capital Increase, BUCZT will cease to be a subsidiary of the Company and the Remaining Group will no longer be engaged in the Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit.

Given the above, we are of the view that there is neither direct nor indirect competition between the business of the Remaining Group and BUCZT and the entering into of the Supplemental Agreement III to the Non-competition Agreement would not affect the Remaining Group's operation;

- (iii) Despite that the Group will grant priority to subcontracting the businesses (i.e. Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit) to BUCZT (the "**Priority**"), as stated in the letter of board as contained in the Company's circular dated 13 December 2019 (the "**2019 Circular**"), BUCG, its subsidiaries and/or associates shall provide integrated services to the Group at a price to be determined by coordinating the market factors with reference to the government-guided price, and should be in any event no less favourable to the terms and prices of same or similar type of services provided to the Group by independent third parties; and
- (iv) the Priority will only be granted to BUCZT without violating of the relevant requirements of the construction unit and relevant laws and regulations and under the same conditions,

we are of the view that although the Third Amendments is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole and the terms of the Third Amendments are fair and reasonable.

Recommendation on the Third Amendments

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Third Amendments are on normal commercial terms and are fair and reasonable; and (ii) although the Third Amendments is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Third Amendments and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

C. THE CCT REVISION

Background of the CCT Revision

On 8 November 2019, the Company and BUCG entered into the Integrated Services Framework Agreement, pursuant to which, among other things, BUCG, its subsidiaries and/or associates provide the Group with engineering construction related services, including but not limited to provision of labour, supply of raw materials, equipment leasing, proprietary technology support services and other services required by the Group to carry out its business. The Integrated Services Framework Agreement was approved by the then independent shareholders of the Company on 30 December 2019.

Upon the Supplemental Agreement III to the Non-competition Agreement becoming effective, details of which are set out in the section headed “The Third Amendments” above, when the Company is engaged in rail transit related businesses, if the inseparable part of the businesses involves “Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit”, subject to not violating the relevant requirements of the construction unit and relevant laws and regulations such as bidding, the Company or its subsidiaries will give priority to subcontracting these businesses to BUCZT, a company owned by BUCG, under the same conditions.

As such, the Company proposes to amend the Integrated Services Framework Agreement by entering into a supplemental agreement.

Reasons for and benefits of the CCT Revision

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

The integration of design, survey and consultancy business and construction contracting business enables the Group to provide comprehensive business solutions covering all major stages in the value chain of the urban rail transit engineering. In view of BUCG’s rich resources and experience and relevant arrangement in the Non-competition Agreement, the renewal of the Integrated Services Framework Agreement may allow the Group to establish and maintain a continuous and stable cooperative relationship with BUCG, thereby enhancing its chances of

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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.

As advised by the Directors, the transactions contemplated under the Integrated Services Framework Agreement will be conducted in the ordinary and usual course of business of the Group on a frequent and regular basis. As such, it may be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary. Accordingly, we concur with the Directors that the transactions contemplated under the Integrated Services Framework Agreement will be beneficial to the Company and the Shareholders as a whole.

Pursuant to the Integrated Services Framework Agreement and as stated in the board letter as contained in the 2019 Circular, among other things, BUCG, its subsidiaries and/or associates shall provide integrated services to the Group at a price to be determined by coordinating the market factors with reference to the government-guided price, and should be in any event no less favourable to the terms and prices of same or similar type of services provided to the Group by independent third parties.

With reference to the Board Letter, the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement is to further clarify the scope of continuing connected transactions relating to the Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit by amending the service scope of the services to be provided by BUCG to the Company under the existing Integrated Services Framework Agreement. The terms of the Supplemental Agreement to the Integrated Services Framework Agreement are in line with the co-operation arrangement between the Company and BUCG as set out in the Supplemental Agreement III to the Non-competition Agreement.

As confirmed by the Directors, despite that the services in respect of “Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit” was previously contained in the integrated services to be provided by BUCG, its subsidiaries and/or associates contemplated under the Integrated Services Framework Agreement, the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement is to further clarify the scope.

In light of the above factors, we are of the view that the transactions contemplated under the Integrated Services Framework Agreement are conducted in the ordinary and usual course of business of the Group and the CCT Revision is in the interest of the Company and Shareholders as a whole.

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Major terms of the CCT Revision

Summarised below are the major terms for the CCT Revision, details of which are set out under the section headed “Supplemental Agreement to the Integrated Services Framework Agreement” of the Board Letter.

Date: 10 November 2021

Parties: (i) the Company; and
(ii) BUCG

Principal terms to be amended

Service Scope The scope of integrated services provided by BUCG, its subsidiaries and/or associates (except for the Company) to the Company including but not limited to: provide the Company with engineering construction related services, including but not limited to provision of labour, supply of raw materials, equipment leasing, proprietary technology support services and other services required by the Company to carry out its business; “Research and Development, Production, Sales and Integration Services of Products Related to the Rail Transit” provided by BUCZT, a company owned by BUCG, to the Company in accordance with the Supplemental Agreement III to the Non-competition Agreement.

Save for the abovesaid amendments, other terms of the Integrated Services Framework Agreement shall remain unchanged.

Our analyses:

1. Supplements to the service scope

As mentioned above, the services in respect of “Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit” was previously contained in the integrated services to be provided by BUCG, its subsidiaries and/or associates. Therefore, the service scope of the integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group pursuant to the Integrated Services Framework Agreement essentially remains unchanged.

2. Existing annual caps pursuant to the Integrated Services Framework Agreement

Pursuant to the 2019 Circular, among other things, the Company set existing annual caps in respect of the expenditure to be incurred by the Group for provision of integrated services by BUCG, its subsidiaries and/or associates for the three years ending 31 December 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understood from the Company that BUCZT was owned by the Company as to 60% of equity interests and by BUCG as to 30% of equity interests as at the date of the Integrated Services Framework Agreement. BUCZT has been a connected subsidiary of the Company and therefore a connected person of the Company. The services to be provided by BUCZT constitute connected transaction of the Company.

Upon the completion of the Capital Increase, BUCZT will remain as an associate of BUCG and therefore still a connected person of the Company. As mentioned above, the services in respect of “Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit” was previously contained in the integrated services to be provided by BUCG, its subsidiaries and/or associates. As confirmed by the Directors, transaction between the Company and BUCZT (i.e. an associate of BUCG and a connected person of the Company before and after the completion of the Capital Increase) was/will be covered by the existing annual caps pursuant to the Integrated Services Framework Agreement, where such situation was considered by the Directors when determining the existing annual caps for the three years ending 31 December 2022. Therefore, the Directors will not adjust the existing annual caps for the three years ending 31 December 2022 as at the Latest Practicable Date.

Recommendation on the CCT Revision

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the CCT Revision are on normal commercial terms and are fair and reasonable; and (ii) the transactions contemplated under the Integrated Services Framework Agreement are conducted in the ordinary and usual course of business of the Group and the CCT Revision is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the CCT Revision and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *for identification purpose only*

**TEXT OF ASSET VALUATION REPORT ON THE VALUATION ON ALL
SHAREHOLDERS' EQUITIES INVOLVED IN THE PROPOSED CAPITAL
INCREASE OF BEIJING URBAN CONSTRUCTION ZHIKONG TECHNOLOGY
CO., LTD.**

Guo Rong Xing Hua Ping Bao Zi [2021] No. 020302

Beijing Urban Construction Zhikong Technology Co., Ltd.,

Beijing Guorongxinghua Assets Appraisal Co., Ltd. accepts the engagement of the Company and appraises the market value of all shareholders' equities of Beijing Urban Construction Zhikong Technology Co., Ltd. involved in its proposed capital increase according to laws, administrative regulations and asset valuation standards in the principle of independence, objectivity and fairness based on necessary valuation procedures by adopting the asset-based approach and the income approach. The asset valuation is reported as follows:

**I. CLIENT, APPRAISED ENTITY AND OTHER ASSET VALUATION REPORT
USERS AGREED IN THE ENGAGEMENT CONTRACT ON ASSET VALUATION**

The client and the appraised entity of this valuation is Beijing Urban Construction Zhikong Technology Co., Ltd. and other asset valuation report users agreed in the engagement contract on asset valuation include the superior authorities of the client and the state-owned asset administration authorities.

(I) Overview of the client and the appraised entity

1. Registered Information

Name:	Beijing Urban Construction Zhikong Technology Co., Ltd. (hereinafter referred to as “ Zhikong Technology ”)
Address:	Room 203, Building 5, No. 13 Fuqian First Street, Tianzhu Area, Shunyi District, Beijing
Legal Representative:	Cheng Yan
Date of Establishment:	10 October 2014
Term of Operation:	10 October 2014 to permanent
Registered Capital:	RMB30 million
Type of Company:	Other limited liability company

Scope of Business: Technical consultation, technical services and technology transfer; technical development; product design; professional contracting; general contracting on construction; software development; computer system services; integrated services on rail transport communication and signal systems; import and export of goods; import and export of technologies; sales of machinery equipment, metal materials (excluding calcium carbide and iron alloy), rubber products, plastic products, computer software and ancillary equipment (excluding special safety products for computer information systems), electronic products, instruments and apparatus, transport facilities, social public safety equipment, moulds, communication equipment, fire-fighting equipment; lease of machinery equipment; lease of construction and engineering machinery equipment; engineering survey and design. (Enterprise is allowed to choose the business to be engaged in and carry out such business activities pursuant to laws. For business items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities. No business activities which are prohibited and restricted by the industrial policies of the state and the municipality shall be carried out.)

2. Overview, shareholding structure and changes of the appraised entity

Zhikong Technology was established on 10 October 2014 and its shareholding structure upon its establishment was as follows:

Unit of Amount: RMB'0,000

Shareholders	Capital Contribution (Paid-in)	Shareholding Proportion
Beijing Urban Construction Design & Development Group Co., Limited	1,800.00	60.00%
Beijing Urban Construction Installation Group Co., Ltd.	1,200.00	40.00%
Total	3,000.00	100.00%

On 27 April 2021, Beijing Urban Construction Group Co., Ltd. acquired 30% equity interests in Beijing Urban Construction Installation Group Co., Ltd. Its shareholding structure after the change and to the valuation base date was as follows:

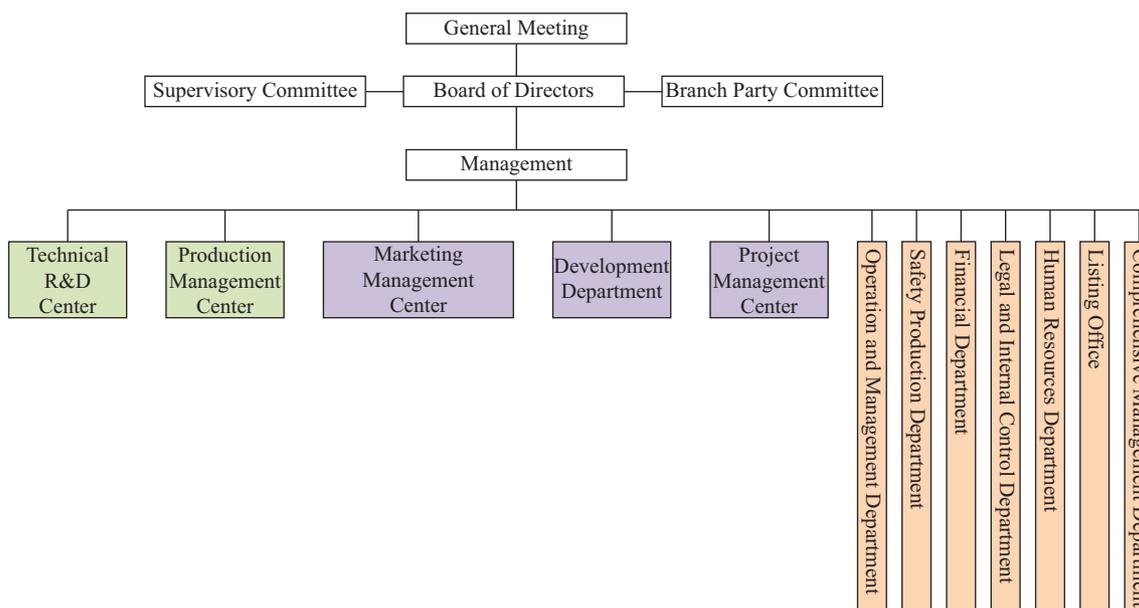
Unit of Amount: RMB'0,000

Shareholders	Capital Contribution (Paid-in)	Shareholding Proportion
Beijing Urban Construction Group Co., Ltd.	900.00	30.00%
Beijing Urban Construction Design & Development Group Co., Limited	1,800.00	60.00%
Beijing Urban Construction Installation Group Co., Ltd.	300.00	10.00%
Total	3,000.00	100.00%

3. Organization and management structure of the Company

(1) Organization chart

Details of the establishment of the organization of the Company are as follows.



(2) Overview of operation

The business scope of Zhikong Technology is the integration of weak current intelligent control systems for urban rail transit (including metros, light rails, tramcars and other types) in the PRC. In the future, Zhikong Technology will mainly focus on relevant businesses on intelligent urban rails and enhance the product ecosystem with the whole system on cloud traffic automation as the technical core.

4. *Relationship between the client and the appraised entity*

The client is the appraised entity.

(II) **Other asset valuation report users agreed in the engagement contract on asset valuation**

This asset valuation report shall only be used by the client, the superior authorities of the client and the state-owned asset administration authorities as well as other asset valuation report users permitted by state laws and regulations and shall not be used or relied upon by any other third parties.

II. VALUATION PURPOSE

According to the *Minutes of the CPC Committee of Beijing Urban Construction Group Co., Ltd.* (Cheng Jian Dang Hui Fa [2021] No. 22) and the *Resolution of the 16th Extraordinary General Meeting of Beijing Urban Construction Zhikong Technology Co., Ltd. in 2021*, Beijing Urban Construction Zhikong Technology Co., Ltd. proposes the capital increase. The objective of the valuation is to appraise the market value of all shareholders' equities of Beijing Urban Construction Zhikong Technology Co., Ltd. involved in the economic activities on the valuation base date and provide value reference to the economic activities.

III. SUBJECT AND SCOPE OF VALUATION

(I) **Subject of valuation**

The value of all shareholders' equities of Beijing Urban Construction Zhikong Technology Co., Ltd.

(II) **Scope of valuation**

The scope of valuation is all assets and liabilities of the appraised entity. The book value of total assets, total liabilities and net assets within the scope of valuation on 31 May 2021 is RMB1,025,533,626.44, RMB943,085,369.93 and RMB82,448,256.51, respectively. Please refer to the table below for details:

Unit of Amount: RMB

Item	Book Value
I. Total current assets	952,904,249.11
Monetary funds	21,603,131.38
Bills receivable	1,877,215.51
Trade receivables	545,361,895.03
Prepayments	72,870,828.83

Item	Book Value
Other receivables	91,577,959.84
Inventories	53,669,109.32
Contract assets	134,420,180.54
Other current assets	31,523,928.65
II. Total non-current assets	72,629,377.33
Fixed assets	6,373,464.73
Construction in progress	450,399.15
Intangible assets	1,640,514.25
Long-term deferred expenses	15,595,105.18
Deferred income tax assets	9,972,066.55
Right-of-use assets	38,597,827.47
III. Total assets	1,025,533,626.44
IV. Total current liabilities	822,281,572.87
Bills payable	322,453,067.61
Trade payables	279,981,353.21
Contract liabilities	42,478,438.42
Staff remuneration payable	9,835,964.81
Taxes and fees payable	10,621,389.57
Other payables	75,641,148.25
Lease liabilities due within one year	13,032,126.10
Other current liabilities	68,238,084.90
V. Total non-current liabilities	120,803,797.06
Long-term payables	81,702,000.00
Expected liabilities	9,046,738.67
Lease liabilities	30,055,058.39
VI. Total liabilities	943,085,369.93
VII. Net assets (owners' equities)	82,448,256.51

The subject and scope of valuation under engagement and the subject and scope of valuation involved in the economic activities are consistent.

Major assets within the scope of valuation are as follows:

1. Inventories: including raw materials and goods shipped.

There are a total of 32 items of raw materials, mainly include electronic parts and components and chips. They are stored in underground warehouses and are for normal use.

There are a total of 19 items of goods shipped, which are finished products being shipped but not yet accepted, settled and recognized by counterparties. They are placed in owners' warehouses or construction sites.

2. *A total of 492 items of electronic equipment, mainly include laptops, air conditioners and cabinets. Such electronic equipment are in all departments of the Company and are under normal use.*

(III) Intangible assets recorded or not recorded in the accounts declared by the enterprise

Intangible assets declared by the enterprise include software developed upon engagement, systems purchased, systems upgrading fees and self-developed patents, copyrights and trademarks.

1. There are a total of 24 items of software developed upon engagement, systems purchased and systems upgrading fees.
2. Details of self-developed patents, copyrights and trademarks are as follows:

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
1	Turnout control devices	201510920403.2	2017/5/10	Beijing Urban Construction Zhikong Technology Co., Ltd.	Invention
2	Signal light control devices	201510920761.3	2017/12/5	Beijing Urban Construction Zhikong Technology Co., Ltd.	Invention
3	Chain information collection equipment	201720587881.0	2017/12/12	Beijing Urban Construction Zhikong Technology Co., Ltd.	Utility model
4	Computer chain core control equipment	201710375316.2	2020/3/17	Beijing Urban Construction Zhikong Technology Co., Ltd.	Invention
5	Tramcar signal system software	2015SR185146	2015/9/23	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
6	Signal control mould software	2015SR209396	2015/10/30	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
7	Driving software for the two-out-of-two core control CPU mould	2015SR209403	2015/10/30	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
8	Rail mould software	2015SR209635	2015/10/30	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
9	Vehicle signal control software	2015SR210113	2015/10/30	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
10	Development platform software for comprehensive signal chain control	2015SR210419	2015/11/2	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
11	Main control software for comprehensive signal chain control	2015SR210422	2015/11/2	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
12	System monitoring software for comprehensive signal chain control	2015SR210437	2015/11/2	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
13	Human-computer interface software for comprehensive signal chain control	2015SR210439	2015/11/2	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
14	Turnout control mould software	2015SR210861	2015/11/2	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
15	Vehicle TOD software	2015SR210864	2015/11/2	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
16	Data mining software for intelligent turnout maintenance management system	2016SR069052	2016/4/6	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
17	Failure prediction management software for intelligent metro turnout maintenance management system	2016SR069058	2016/4/6	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
18	Automatic trains monitoring system	2018SR123487	2018/2/26	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
19	Intersection priority software based on vehicle-road coordination	2018SR123489	2018/2/26	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
20	Rail transit schedule management system	2018SR123500	2018/2/26	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
21	Rail transit swift management system	2018SR123537	2018/2/26	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
22	Train schedule software for cloud traffic automation	2018SR123485	2018/2/26	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
23	Graphic configuration software for cloud traffic automation	2018SR123488	2018/2/26	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
24	Operation dispatching management platform	2018SR1001469	2018/12/11	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
25	Server management software for broadcasting system	2018SR1001479	2018/12/11	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
26	Editing software for train automatic monitoring schedule	2018SR1014658	2018/12/13	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
27	Media broadcast and editing software for passenger information	2018SR1015635	2018/12/14	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
28	Media display and control software for passenger information	2018SR1015716	2018/12/14	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
29	Access authorization management software	2018SR1015780	2018/12/14	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
30	Server management software for passenger information	2018SR1015792	2018/12/14	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
31	Platform gates monitoring software	2018SR1029799	2018/12/18	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
32	Big data restoring software	2018SR1064055	2018/12/25	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
33	Application software for special video surveillance	2018SR1064833	2018/12/25	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
34	Management software for electromechanical system	2018SR1065208	2018/12/25	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
35	On-site input and output software for electromechanical system	2018SR1066215	2018/12/27	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
36	Situational awareness software for distributed big data	2018SR1084758	2018/12/27	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
37	Engineering general control software	2018SR1084934	2018/12/27	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
38	On-site control software for access control system	2019SR0077088	2019/1/22	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
39	Platform management software for urban rail cloud computing	2019SR0136644	2019/2/13	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
40	Guard software for big data platform	2019SR0136903	2019/2/13	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
41	Driving software for platform gates door machine control units	2019SR0136913	2019/2/13	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
42	Control software for platform gates logic control units	2019SR0136922	2019/2/13	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
43	Big data platform management software	2019SR0135490	2019/2/13	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
44	Authorization and authentication service software	2019SR0273027	2019/3/22	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
45	System modeling tool and software	2019SR0273123	2019/3/22	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
46	Mechanical and electrical on-site service software	2019SR0270456	2019/3/21	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
47	Swift software for train automatic monitoring plan	2019SR0270839	2019/3/21	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
48	Schedule display software for train automatic monitoring	2019SR0777870	2019/7/26	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
49	Online intelligent management platform	2019SR0800278	2019/8/1	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
50	Equipment maintenance management platform	2019SR0844010	2019/8/14	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
51	Workflow engine service software	2019SR0933533	2019/9/9	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
52	Simulation training management platform software	2019SR0941525	2019/9/10	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
53	Service software for document library engine components	2019SR0988649	2019/9/24	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
54	Chunchengxing software	2020SR0939060	2020/9/30	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
55	Comprehensive monitoring system software of BUCZT	2020SR1620132	2020/11/20	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
56	Automatic fare collection system of BUCZT	2020SR1620131	2020/11/20	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
57	Depot platform software for comprehensive monitoring system	2021SR0024284	2021/1/6	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
58	Station platform software for comprehensive monitoring system	2021SR0024165	2021/1/6	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
59	Central platform software for comprehensive monitoring system	2021SR0024285	2021/1/6	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
60	Real-time database system software of BUCZT	2021SR0616257	2021/4/28	Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
61	Zhengzhong Liansuo (正中聯鎖)	39118993	2020/3/21	Beijing Urban Construction Zhikong Technology Co., Ltd.	Trademark
62	Zhengzhong Liansuo (正中聯鎖)	39130993	2020/2/28	Beijing Urban Construction Zhikong Technology Co., Ltd.	Trademark
63	HUPOMEN, HUPOMEN	39139849	2020/3/21	Beijing Urban Construction Zhikong Technology Co., Ltd.	Trademark
64	HUPOMEN	39132268	2020/2/14	Beijing Urban Construction Zhikong Technology Co., Ltd.	Trademark
65	KINGCLOUD	40530946	2020/4/7	Beijing Urban Construction Zhikong Technology Co., Ltd.	Trademark
66	KINGDRAGON	40547716	2020/4/7	Beijing Urban Construction Zhikong Technology Co., Ltd.	Trademark
67	Jianlong (鍵龍)	40519753	2020/4/7	Beijing Urban Construction Zhikong Technology Co., Ltd.	Trademark

3. Intangible assets with the income belonging to the appraised entity and the proprietor not being the appraised entity on the valuation base date are summarized as follows:

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
1	A kind of electronic five-wire turnout control device	201921639591.1	2020/6/26	Beijing Urban Construction Design & Development Group Co., Limited	Utility model
2	A kind of intelligent access control device	201921854064.2	2020/5/19	Beijing Urban Construction Design & Development Group Co., Limited	Utility model
3	Insulation testing mould software	2019SR1049666	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
4	Train schedule algorithm software	2019SR1049671	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
5	Routing mould software	2019SR1049677	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
6	Broadcasting control box emergency control software	2019SR1049744	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
7	Broadcasting microphone and oral broadcasting control software	2019SR1049750	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
8	Leakage current testing mould software	2019SR1049760	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
9	Broadcast control software for broadcasting amplifier	2019SR1127858	2019/11/7	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
10	Communication extension mould software	2019SR1127852	2019/11/7	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
11	Urban rail cloud multi-cloud management platform	2021SR0774252	2021/5/26	Zhang Hui, Wang Hanjun, Li Jinlong, Xia Xiujiang, Gu Kun, Beijing Urban Construction Design & Development Group Co., Limited, Beijing Urban Construction Zhikong Technology Co., Ltd., Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd.	Software copyright
12	Urban rail cloud operating system	2021SR0774275	2021/5/26	Li Jinlong, Yu Songwei, Wang Hanjun, He Xiong, Li Zhaohui, Beijing Urban Construction Design & Development Group Co., Limited, Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
13	Big data real-time database system software	2021SR0774249	2021/5/26	Yu Songwei, Zhang Hui, Wu Zhengzhong, Li Zhaohui, Zheng Zhiwei, Beijing Urban Construction Design & Development Group Co., Limited, Kunming Rail Transit Group Co., Ltd., Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd., Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
14	Big data monitoring operation and maintenance platform	2021SR0774248	2021/5/26	Yu Songwei, Li Jinlong, Wang Hanjun, He Xiong, Zheng Zhiwei, Beijing Urban Construction Design & Development Group Co., Limited, Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd., Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
15	Big data decision-making analysis platform	2021SR0774278	2021/5/26	Li Jinlong, Yu Songwei, Zhang Hui, Feng Dongliang, Zheng Zhiwei, Beijing Urban Construction Design & Development Group Co., Limited, Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd., Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
16	Distributed storage systems	2021SR0783793	2021/5/27	Yu Songwei, Zhang Hui, Wang Hanjun, Feng Dongliang, He Xiong, Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd., Beijing Urban Construction Design & Development Group Co., Limited, Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
17	All-in-one machine data collection software	2021SR0774251	2021/5/26	Zhang Hui, Li Jinlong, Yu Songwei, Xia Xiujiang, Gu Kun, Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd., Beijing Urban Construction Design & Development Group Co., Limited, Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright

Due to historical development and preliminary business development needs, certain core intellectual property rights of Beijing Urban Construction Zhikong Technology Co., Ltd. still belong to Beijing Urban Construction Design & Development Group Co., Limited (some proprietors are also its employees and holding subsidiaries). Meanwhile, certain intellectual property rights in the business of Beijing Urban Construction Design & Development Group were obtained under the name of Beijing Urban Construction Zhikong Technology Co., Ltd. upon application. Currently, both parties are tackling the business independence, which involves the overall packaging and division of intellectual property rights and the independence and division of businesses, and are formulating measures on the settlement.

Beijing Urban Construction Design & Development Group Co., Limited and other proprietors have issued the *Letter of Undertaking on Waiving Income on Intellectual Property Rights* to the appraised entity, agreeing that relevant intangible assets will be transferred to Beijing Urban Construction Zhikong Technology Co., Ltd. The right to the income on relevant intangible assets shall belong to the appraised entity before the completion of the transfer and they shall not be entitled to all economic benefits such as rewards, license fees and income on such intangible assets. As a result, the right to use such intangible assets is within the scope of valuation.

(IV) Type and amount of off-balance assets declared by the enterprise

The enterprise has not declared other off-balance assets except the abovementioned off-balance intangible assets.

(V) Type, amount and book value (or appraised value) of assets involved in the conclusion of reports issued by other institutions

The book value of all assets and liabilities on the base date in this valuation report is cited from the audit conclusion of Ernst & Young Hua Ming LLP. No other reports issued by other institutions were cited except the above.

IV. TYPE AND DEFINITION OF VALUE

Based on the valuation purpose, the type of value of the subject of valuation is determined as the market value.

Market value refers to the estimated value of the subject of valuation between a willing buyer and a willing seller acting reasonably, neither being under any compulsion to buy or sell in a normal and fair transaction as at the valuation base date.

V. VALUATION BASE DATE

- (I) The valuation base date of this project is 31 May 2021.
- (II) The valuation base date is determined by the client in the principle of the valuation base date approximating the realization date of the corresponding economic activity of the asset valuation as much as possible.
- (III) During the asset valuation, definition of valuation scope, selection of valuation parameters and determination of valuation value are based on the enterprise's internal financial statements, external economic environment and market conditions on the valuation base date. All valuing standards in the report are the effective price standards on the valuation base date.

VI. VALUATION BASIS**(I) Basis of economic activity**

1. *Minutes of the CPC Committee of Beijing Urban Construction Group Co., Ltd.* (Cheng Jian Dang Hui Fa [2021] No. 22);
2. *Resolution of the 16th Extraordinary General Meeting of Beijing Urban Construction Zhikong Technology Co., Ltd. in 2021.*

(II) Basis of regulations

1. *Asset Appraisal Law of the People's Republic of China* (Passed at the 21st Session of the Twelfth Standing Committee of the National People's Congress on 2 July 2016);
2. *Company Law of the People's Republic of China* (Amended at the 6th Session of the Thirteenth Standing Committee of the National People's Congress on 26 October 2018);
3. *Measures for Financial Supervision and Administration of the Assets Appraisal Sector* (Order No. 97 of the Ministry of Finance in 2019);
4. *Enterprise Income Tax Law of the People's Republic of China* (Amended at the 7th Session of the Thirteenth Standing Committee of the National People's Congress on 29 December 2018);
5. *Law of the People's Republic of China on the State-owned Assets of Enterprises* (Passed at the 5th Session of the Eleventh Standing Committee of the National People's Congress on 28 October 2008);
6. *Interim Regulation on the Supervision and Administration of State-owned Assets of Enterprises* (Order No. 709 of the State Council on 2 March 2019);
7. *Administrative Measures for the Assessment of State-owned Assets* (Order No. 732 of the State Council in 2020);
8. *Notice on Issuing the Detailed Rules for the Implementation of the Administrative Measures for State-owned Assets Assessment* (Guo Zi Ban Fa [1992] No. 36);
9. *Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises* (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
10. *Notice on Strengthening the Administration of State-owned Assets Appraisal of Enterprises* (Guo Zi Wei Chan Quan [2006] No. 274);
11. *Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises* (Guo Zi Chan Quan [2009] No. 941);
12. *Guidelines for the Filing for Recordation of the Assessment Projects of State-owned Assets of Enterprises* (Guo Zi Fa Chan Quan [2013] No. 64);

13. *Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Taxes* (Order No. 65 of the Ministry of Finance and the State Tax Administration);
14. *Notice on Implementing the Pilot Program of Replacing Business Tax with Value-added Tax in an All-round Manner* (Cai Shui [2016] No. 36);
15. *Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates* (Cai Shui [2018] No. 32);
16. *Patent Law of the People's Republic of China* (Amended at the 22nd Session of the Thirteenth Standing Committee of the National People's Congress on 17 October 2020);
17. *Detailed Rules for the Implementation of the Patent Law of the People's Republic of China* (Amended at the 95th Executive Meeting of the State Council on 30 December 2009);
18. *Copyright Law of the People's Republic of China* (Amended at the 13th Session of the Eleventh Standing Committee of the National People's Congress on 26 February 2010);
19. *Regulation on the Implementation of the Copyright Law of the People's Republic of China* (Amended at the 231st Executive Meeting of the State Council on 16 January 2013);
20. *Trademark Law of the People's Republic of China* (Amended at the 10th Session of the Thirteenth Standing Committee of the National People's Congress on 23 April 2019);
21. *Regulation on the Implementation of the Trademark Law of the People's Republic of China* (Amended by Order No. 651 of the State Council of the People's Republic of China on 29 April 2014);
22. *Regulations on the Protection of Computer Software* (Order No. 632 of the State Council of the People's Republic of China on 30 January 2013);
23. *Measures for the Registration of Computer Software Copyright* (Order No. 1 of the National Copyright Administration of the People's Republic of China);
24. *Notice of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality Regarding Matters on Deepening the Administration and Reform of Assessment of State-owned Assets of Enterprises* (Jing Guo Zi Fa [2019] No. 2);

25. *Notice on Issuing the Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises in Beijing Municipality* (Jing Guo Zi Fa [2008] No. 5);
26. *Notice of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality on Issuing the Interim Rules on Review and Administration of Items in Assessment of State-owned Assets of Enterprises in Beijing Municipality* (Jing Guo Zi Fa [2012] No. 32);
27. *Notice of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality Regarding Matters on Further Deepening the Administration and Reform of Assessment of State-owned Assets of Enterprises* (Jing Guo Zi Fa [2020] No. 9);
28. Other related laws, regulations and documents.

(III) Basis of valuation standards

1. *Basic Asset Valuation Standards* (Cai Zi [2017] No. 43);
2. *Professional Code of Ethics for Asset Valuation* (Zhong Ping Xie [2017] No. 30);
3. *Practice Guidelines for Asset Valuation – Asset Valuation Report* (Zhong Ping Xie [2018] No. 35);
4. *Practice Guidelines for Asset Valuation – Asset Valuation Procedures* (Zhong Ping Xie [2018] No. 36);
5. *Practice Guidelines for Asset Valuation – Asset Valuation Archives* (Zhong Ping Xie [2018] No. 37);
6. *Practice Guidelines for Asset Valuation – Corporate Value* (Zhong Ping Xie [2018] No. 38);
7. *Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract* (Zhong Ping Xie [2017] No. 33);
8. *Practice Guidelines for Asset Valuation – Intangible Assets* (Zhong Ping Xie [2017] No. 37);
9. *Practice Guidelines for Asset Valuation – Machinery and Equipment* (Zhong Ping Xie [2017] No. 39);
10. *Practice Guidelines for Asset Valuation – Asset Valuation Methodology* (Zhong Ping Xie [2019] No. 35);

11. *Guidances for the Appraisal Reports of State-owned Assets of Enterprises* (Zhong Ping Xie [2017] No. 42);
12. *Quality Control Guidance on the Business of Asset Valuation Agency* (Zhong Ping Xie [2017] No. 46);
13. *Guiding Opinions on Types of Value under Asset Valuation* (Zhong Ping Xie [2017] No. 47);
14. *Guiding Opinions on Legal Ownership of the Asset Valuation Subject* (Zhong Ping Xie [2017] No. 48);
15. *Guiding Opinions on Proprietary Asset Valuation* (Zhong Ping Xie [2017] No. 49);
16. *Guiding Opinions on Copyright Asset Valuation* (Zhong Ping Xie [2017] No. 50);
17. *Guiding Opinions on Trademark Asset Valuation* (Zhong Ping Xie [2017] No. 51);
18. *Terms for Asset Valuation Standards in 2020* (Zhong Ping Xie [2020] No. 31);
19. *Provisional Measures of China Appraisal Society on the Administration of Unified Coding on Asset Appraisal Reports.*

(IV) Ownership basis

1. Ownership certificates of intangible assets;
2. Letters of undertaking of the client and the appraised entity;
3. Other relevant ownership certification materials provided by the appraised entity.

(V) Pricing basis

1. *Handbook of Data and Parameters Commonly Used in Asset Valuation Reports*;
2. The recent bank loan interest rate and the exchange rate on the valuation base date;
3. Project operation and implementation plans and other materials provided by the enterprise;
4. Market forecast materials for the following years provided by the enterprise;
5. Financial statements and audit reports for previous years provided by the enterprise;
6. Statistical data on relevant industries provided in the WIND information system;

7. Other relevant valuation information and materials recorded and collected by valuers in on-site surveys;
8. Other relevant materials on valuation provided by the appraised entity.

(VI) Other reference basis

1. The audit report issued by Ernst & Young Hua Ming LLP;
2. The *Asset Valuation Application* and the future income forecast of the enterprise provided by the appraised entity.

VII. VALUATION METHODOLOGY

According to the asset valuation standards, three approaches can be used for corporate value appraisal, namely the income approach, the market approach and the asset-based approach.

The income approach refers to the approach in which the expected return of the valuation subject shall be capitalized or discounted so as to determine its value.

The market approach refers to the approach in which the valuation subject shall be compared with comparable listed companies or transactions so as to determine the value of the valuation subject.

The asset-based approach refers to the approach in which, based on the balance sheet of the valuation subject on the valuation base date, the value of identifiable assets and liabilities in and out of the balance sheet shall be appraised so as to determine the value of the valuation subject.

As stated in the *Practice Guidelines for Asset Valuation – Corporate Value*, when performing any appraisal of corporate value, the suitability of the three basic asset valuation approaches, namely the income approach, the market approach and the asset-based approach shall be analyzed based on the purpose of valuation, the valuation subject, the type of value, information gathering, etc. in its selection of valuation methods.

The asset-based approach and the income approach were adopted in the valuation on the following grounds:

The asset-based approach reflects the value of an asset from the perspective of reacquisition of assets, i.e. reflecting the value of an asset by reducing various kinds of deductions from the replacement cost of the asset. The asset-based approach is to be adopted on the conditions that: First, the appraised assets are in a state of continued use or are assumed to be in a state of continued use; second, the appraised assets shall have available historical data. The subject assets in this valuation meet the above conditions.

As it cannot obtain similar market trading cases with the valuation subject and it is difficult to collect relevant financial data and information of similar listed companies in the same industry with the appraised enterprise from the capital market, the market approach is not adopted in this valuation.

The income approach is to evaluate assets from the perspective of expected profitability of assets, which can fully reflect the overall value of an enterprise. Its valuation conclusion is usually reliable and convincing. The management of the appraised entity can provide the historical operating data and the profit forecast data in the following years of the company and the profit forecast and its assets have a stable relationship. After the interview with the management of the enterprise, inspections and analysis, the valuers analyzed and believed that it meets the conditions for valuation with the income approach.

Income approach

The discounted corporate free cash flow method under the income approach was adopted to appraise the value of all shareholders' equities, which is composed of the value of operating net assets arising from normal operating activities and the value of non-operating net assets irrelevant to normal operating activities. The discounted free cash flow model was adopted in determining the value of operating net assets. The basic formula is as follows:

$$E=B-D$$

Where: E: Value of all shareholders' equities of the valuation subject;

B: Corporate value of the valuation subject;

D: Value of interest-bearing debts of the valuation subject.

Where B: The model for the corporate value of the valuation subject is:

$$B=P+\sum C_i$$

Where:

P: Value of operating assets of the valuation subject;

$$P=\sum_{i=1}^n \frac{R_i}{(1+r)^{i-0.5}} + \frac{R_{n+1}}{r(1+r)^{n-0.5}}$$

R_i: Expected income (free cash flow) of the valuation subject for the i-th year in the future;

r: Discount rate;

n:	Future continuous operation period of the valuation subject was determined to be indefinite in this valuation.
ΣC_i :	Value of non-operating surplus assets and long-term equity investments of the valuation subject as at the valuation base date.
$\Sigma C_i = C_1 + C_2$	
C1:	Value of other non-operating surplus assets of the valuation subject as at the valuation base date;
C2:	Value of long-term equity investments.

VIII. IMPLEMENTATION PROCESS OF VALUATION PROCEDURES

The valuer appraised the assets and liabilities involved in the subject of valuation. Details of the implementation process of major valuation procedures are as follows:

(I) Acceptance of engagement

We entered into an agreement with the client in respect of basic matters for valuation including the purpose of valuation, the subject of valuation, the scope of valuation and the valuation base date as well as the rights and obligations of each party, and determined the basic valuation matters such as the corresponding valuation plan, and the time and method of submission of valuation report through negotiations with the client.

(II) Preliminary preparation

In view of the basic valuation matters, we prepared a valuation plan, established a valuation team and arranged training for the relevant personnel of the project.

(III) On-site investigation

The valuer conducted necessary examination and verification of the assets and liabilities of the subject of valuation, and carried out necessary due diligence on the operation and management of the appraised entity.

1. Providing guidance to the appraised entity on completing forms and preparing information to be submitted to the appraisal institution

The valuer provided guidance to the finance and asset management personnel of the appraised entity on completing asset appraisal forms for the assets included in the scope of valuation in a meticulous and accurate manner based on self-examination of assets and

in accordance with the breakdown of assets for valuation, the requirements for completion and the list of information provided by us, and on collecting and preparing ownership certificates of assets and documents and information reflecting the performance, status, investment return indicators and industrial regulatory indicators of the assets.

2. *Preliminary review and perfection of the breakdown of assets for valuation completed by the appraised entity*

The valuer understood the details of the assets included in the scope of valuation by accessing the relevant information, carefully reviewed the breakdown of various assets for valuation to check if there is any incomplete or wrong submission or any unclear asset, and examined, based on its experience and understanding if there is any missing item in the breakdown of asset for valuation, and provided feedback to the appraised entity for improvement of the breakdown of asset for valuation.

3. *On-site field survey*

With the cooperation of the relevant personnel of the appraised entity, the valuer conducted on-site survey of the assets within the scope of valuation based on their types, quantity and distribution and in accordance with the relevant requirements of the asset appraisal standards, and adopted different survey methods in view of different nature and features of the assets.

4. *Supplement, amendment and perfection of the breakdown of assets for valuation*

The valuer fully communicated with the relevant personnel of the appraised entity based on the results of on-site survey and further improved the breakdown of assets for valuation to ensure the consistency among the book value, the record and the reality.

5. *Examination of ownership certificates and documents*

The valuer examined the ownership certificates and documents of the assets within the scope of valuation including intangible assets and equipment, and requested the entity to verify or produce the relevant ownership certificates and documents for those with incomplete ownership information or unclear ownership.

(IV) Data collection

The valuer collected the data for valuation according to the specific conditions of the valuation project, including the information directly and independently obtained from market and other channels, the data obtained from the relevant parties including the client, and the data obtained from government authorities, various professional institutions and other relevant departments. The valuer conducted necessary analysis, induction and sorting of the data collected for valuation to form the basis for valuation.

(V) Assessment of estimates

According to the specific conditions of various assets, the valuer selected the corresponding formulas and parameters to make analysis, calculation and determination based on the valuation methods selected and formed the preliminary valuation conclusions. The project leader summarized the preliminary valuation conclusion of various assets, and compiled and prepared the preliminary asset valuation report.

(VI) Internal review

In accordance with the requirements of the administrative measures for our valuation process, the project leader submitted the completed preliminary asset valuation report for our internal review. Upon completion of internal review, the project leader communicated with the client or other relevant parties agreed by the client about the contents of the asset valuation report, and issued the asset valuation report after making reasonable amendments according to their feedbacks.

(VII) Maintenance of valuation files

According to the requirements of the asset appraisal standards, the valuer organized the underlying documents, asset valuation report and other relevant materials to maintain an asset valuation file.

IX. VALUATION ASSUMPTIONS

The assumptions adopted in analyzing the estimates in the asset valuation report are as follows:

(I) Basic assumptions

1. Open market assumption assumes that the parties to an asset trading or a proposed asset trading in the market are dealing with each other at arm's length and have the opportunities and time to obtain sufficient market information to make rational judgments as to the function, usage and trading price of the asset.
2. Transaction assumption assumes that all the assets to be valued are already in the process of transaction, and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued. Transaction assumption is the most basic assumption for asset valuation;
3. Going concern assumption assumes that the appraised entity will not cease operation for any reason in the foreseeable future, but will continue to operate lawfully with its existing assets and resources.

(II) General assumptions

1. It is assumed that there will be no significant changes to the relevant prevailing laws, regulations and policies, or macro-economic situations in the PRC as well as the political, economic and social environment of regions where the parties to the transaction are located;
2. It is assumed that there will be no significant changes to the interest rate, exchange rate, taxation base and tax rate, policy-imposed levies relating to the appraised entity subsequent to the valuation base date;
3. It is assumed that the management of the appraised entity is responsible, stable and capable of taking on its duties subsequent to the valuation base date;
4. Unless otherwise stated, it is assumed that the Company fully complies with all relevant laws and regulations.

(III) Forecast assumptions under the income approach and other special assumptions

1. Unless otherwise stated, it is assumed that the Company fully complies with all relevant laws and regulations;
2. It is assumed that the values of various parameters measured in the valuation are determined based on the current pricing system, without taking into account the effect from inflation subsequent to the valuation base date;
3. It is assumed that there is no force majeure and unforeseeable factors which may have a material adverse impact on the appraised entity subsequent to the valuation base date;
4. It is assumed that the accounting policies adopted by the appraised entity subsequent to the valuation base date will be consistent in material aspects with those adopted in the preparation of this asset valuation report;
5. It is assumed that the business scope and method of operation of the appraised entity subsequent to the valuation base date will be consistent with those in existence on the basis of the existing management model and level;
6. It is assumed that there will be no significant change to relevant prevailing laws and regulations on the recognition of high and new technology enterprises in the future and the enterprise can meet the conditions for recognizing as a high and new technology enterprise and can continuously enjoy preferential policies on the levy of income tax at 15%.

The valuation conclusion in the asset valuation report was effective as at the valuation base date on the aforesaid assumptions. We and the signing valuers disclaim any responsibility for any different valuation conclusions arising from any significant changes in any assumptions.

X. VALUATION CONCLUSION

According to relevant state regulations on asset valuation, in the principle of independence, fairness and objectivity and based on necessary valuation procedures, we appraised the value of all shareholders' equities of Beijing Urban Construction Zhikong Technology Co., Ltd. We adopted the income approach in the valuation and the valuation conclusion was reached based on the above valuation work.

As of 31 May 2021, being the valuation base date, on the going concern basis and under the income approach, the valuation result of the value of all shareholders' equities of Beijing Urban Construction Zhikong Technology Co., Ltd. was RMB356,916,300, with a value appreciation of RMB274,468,044 (representing the difference between valuation result of the value of all shareholders' equities of Beijing Urban Construction Zhikong Technology Co., Ltd. and total owners' equity) and an appreciation rate of 332.8973% (representing the results of value appreciation divided by total owners' equity and then multiplied by 100%).

XI. NOTES ON SPECIAL MATTERS

It was discovered in the course of valuation that the following matters may affect the valuation conclusion; however, they are beyond the evaluation and estimation of the valuers by virtue of their professional competence:

(I) The valuation conclusion of this valuation report has not taken into consideration of the potential expenses and taxes arising from the process of registration or change of titles of the appraised assets. It has not accounted for the possible changes of tax obligation arising from the increase or decrease of the appraised value.

(II) This valuation report is based on the information related to asset valuation provided by the client, the appraised entity and relevant parties. It is the responsibility of the client and the relevant parties to provide necessary information and ensure the truthfulness, legality and completeness of the information provided and guarantee the legality of operation. The responsibility of asset valuers is to analyze, estimate and express professional view on the value of the appraised subject for the specific purpose as of the valuation base date. Asset valuers conduct necessary inspection and disclosure on such information and its sources, but not to provide any guarantee as to the truthfulness, legality and completeness of the above information. It is beyond the scope of practice for the asset valuers to ascertain or express opinions on such information and its sources.

(III) Prior to the valuation, Ernst & Young Hua Ming LLP has conducted special audit on Zhikong Technology with 31 May 2021 as the base date and issued the audit report (An Yong Hua Ming (2021) Zhuan Zi No. 61707446_A02). Zhikong Technology declared the audited and adjusted results. The valuation on all shareholders' equities of Zhikong Technology was conducted based on the audit of certified public accountants. We remind users of the report to pay attention to the above audit report when using this asset valuation report.

(IV) The future profit forecast of the appraised entity involved in the valuation is based on the profit forecast formulated by the management of the appraised entity. We conducted necessary review on the above profit forecast and carried out appropriate adjustments to the information learnt during the valuation process. The fact that we rely on the above profit forecast data in our estimate does not represent that we provide any guarantee to the correctness and completeness of such data.

(V) The appraised entity is principally engaged in system integration business and outsources the manufacturing of hardware without its own properties. The information on leases of major operation and office places are as follows:

Name of Leased Properties	Location	Area (sq.m.)	Rental (RMB'0,000)	Commencement of Lease	End of Lease
Zhikong Xibahe (Huatong Building)	Building 22, Nanli, Xibahe, Xiangheyuan Sub-district, Chaoyang District	5,800	5,670.79	2019.11.21	2024.11.20
Minghao Building	No. 13 Fuqian First Street, Tianzhu Town, Shunyi District	97.05	56.85	2021.3.26	2024.3.25

(VI) It does not take into account the discount or premium caused by factors such as controlling interest and minority interest, as well as the impact of liquidity on the appraised value.

(VII) No key information such as ownership rights may be incomplete or flawed is noticed in this valuation. No uncertainties such as pending matters and legal disputes and no significant subsequent matters are discovered in the appraised entity.

(VIII) The prices of equipment and intangible assets involved in this valuation are tax-exclusive (VAT) prices.

(IX) Due to historical development and preliminary business development needs, certain core intellectual property rights of Beijing Urban Construction Zhikong Technology Co., Ltd. still belong to Beijing Urban Construction Design & Development Group Co., Limited (some proprietors are also its employees and holding subsidiaries). Meanwhile, certain intellectual property rights in the business of Beijing Urban Construction Design & Development Group Co., Limited were obtained under the name of Beijing Urban Construction Zhikong

Technology Co., Ltd. upon application. Currently, both parties are tackling the business independence, which involves the overall packaging and division of intellectual property rights and the independence and division of businesses, and are formulating measures on the settlement.

Beijing Urban Construction Design & Development Group Co., Limited and other proprietors have issued the *Letter of Undertaking on Waiving Income on Intellectual Property Rights* to the appraised entity, agreeing that relevant intangible assets will be transferred to Beijing Urban Construction Zhikong Technology Co., Ltd. The right to the income on relevant intangible assets shall belong to the appraised entity before the completion of the transfer and they shall not be entitled to all economic benefits such as rewards, license fees and income on such intangible assets. As a result, the right to use such intangible assets is within the scope of valuation.

The specific scope is as follows:

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
1	A kind of electronic five-wire turnout control device	201921639591.1	2020/6/26	Beijing Urban Construction Design & Development Group Co., Limited	Utility model
2	A kind of intelligent access control device	201921854064.2	2020/5/19	Beijing Urban Construction Design & Development Group Co., Limited	Utility model
3	Insulation testing mould software	2019SR1049666	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
4	Train schedule algorithm software	2019SR1049671	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
5	Routing mould software	2019SR1049677	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
6	Broadcasting control box emergency control software	2019SR1049744	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
7	Broadcasting microphone and oral broadcasting control software	2019SR1049750	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
8	Leakage current testing mould software	2019SR1049760	2019/10/16	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
9	Broadcast control software for broadcasting amplifier	2019SR1127858	2019/11/7	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
10	Communication extension mould software	2019SR1127852	2019/11/7	Beijing Urban Construction Design & Development Group Co., Limited	Software copyright
11	Urban rail cloud multi-cloud management platform	2021SR0774252	2021/5/26	Zhang Hui, Wang Hanjun, Li Jinlong, Xia Xiujiang, Gu Kun, Beijing Urban Construction Design & Development Group Co., Limited, Beijing Urban Construction Zhikong Technology Co., Ltd., Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd.	Software copyright
12	Urban rail cloud operating system	2021SR0774275	2021/5/26	Li Jinlong, Yu Songwei, Wang Hanjun, He Xiong, Li Zhaohui, Beijing Urban Construction Design & Development Group Co., Limited, Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
13	Big data real-time database system software	2021SR0774249	2021/5/26	Yu Songwei, Zhang Hui, Wu Zhengzhong, Li Zhaohui, Zheng Zhiwei, Beijing Urban Construction Design & Development Group Co., Limited, Kunming Rail Transit Group Co., Ltd., Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd., Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
14	Big data monitoring operation and maintenance platform	2021SR0774248	2021/5/26	Yu Songwei, Li Jinlong, Wang Hanjun, He Xiong, Zheng Zhiwei, Beijing Urban Construction Design & Development Group Co., Limited, Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd., Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
15	Big data decision-making analysis platform	2021SR0774278	2021/5/26	Li Jinlong, Yu Songwei, Zhang Hui, Feng Dongliang, Zheng Zhiwei, Beijing Urban Construction Design & Development Group Co., Limited, Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd., Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright

No.	Name and Contents of Intangible Assets	Application/Registration No.	Authorization and Expected Authorization Date	Proprietor	Type
16	Distributed storage systems	2021SR0783793	2021/5/27	Yu Songwei, Zhang Hui, Wang Hanjun, Feng Dongliang, He Xiong, Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd., Beijing Urban Construction Design & Development Group Co., Limited, Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright
17	All-in-one machine data collection software	2021SR0774251	2021/5/26	Zhang Hui, Li Jinlong, Yu Songwei, Xia Xiujiang, Gu Kun, Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd., Beijing Urban Construction Design & Development Group Co., Limited, Beijing Urban Construction Zhikong Technology Co., Ltd.	Software copyright

The users of the asset valuation report shall pay attention to the effects of the above particular matters on the valuation conclusion.

XII. NOTES ON THE LIMITATIONS ON USE OF THE REPORT

(I) This asset valuation report shall be used for the purpose and uses of valuation set out in this asset valuation report only and by the users specified in this asset valuation report only. The extraction of, reference to or public disclosure of all or any part of this asset valuation report shall be subject to our review, unless otherwise provided in the laws or regulations or agreed between the relevant parties;

(II) If the client or any other user of the asset valuation report fails to use the report in accordance with the laws, administrative regulations and the scope of use set out in the report, we and our professional valuers disclaim any liability arising therefrom;

(III) No entity or individual other than the client, other users specified in the asset valuation engagement contract and the users of the asset valuation report set out in the laws and administrative regulations, shall become a user of the asset valuation report;

(IV) The users of the asset valuation report shall have a correct understanding and use of the valuation conclusion, which does not represent the realizable price of the subject of valuation and shall not be deemed a guarantee for the realizable price of the subject of valuation;

(V) This asset valuation report shall not be put into use unless and until it has been signed by the valuers conducting the valuation with our company chop and filed (approved) by the state-owned asset administration authorities or the superior companies of the client;

(VI) The valuation conclusion in this asset valuation report is effective for the economic activity described in the asset valuation report only and the valuation conclusion shall be valid for one year from the valuation base date.

XIII. DATE OF THE ASSET VALUATION REPORT

This asset valuation report was issued on 15 September 2021.

**APPENDIX II LETTER FROM THE REPORTING ACCOUNTANT OF
THE COMPANY ON VALUATION REPORT**

10 December 2021

The Directors

Beijing Urban Construction Design & Development Group Co., Limited
5 Fuchengmen North Street, Xicheng District,
Beijing, China

Dear Sirs,

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “Forecast”) on which the valuation dated 15 September 2021 prepared by Beijing Guorongxinghua Assets Appraisal Co., Ltd. in respect of equity interest in Beijing Urban Construction Zhikong Technology Co., Ltd. (the “Target”) as at 31 May 2021 is based. The valuation is set out in the announcement of Beijing Urban Construction Design & Development Group Co., Limited (the “Company”) dated 10 November 2021 (the “Announcement”) in connection with the capital increase in the Target and deemed disposal of shareholding interest of the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ responsibilities

The directors of the Company (the “Directors”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “Assumptions”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**APPENDIX II LETTER FROM THE REPORTING ACCOUNTANT OF
THE COMPANY ON VALUATION REPORT**

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Ernst & Young
Certified Public Accountants
Hong Kong

**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)**

Dear Sir or Madam,

**TRANSACTIONS CONTEMPLATED UNDER THE
CAPITAL INCREASE AGREEMENT**

We refer to the valuation report (the “**Valuation Report**”) prepared by Beijing Guorongxinghua Assets Appraisal Co., Ltd. (the “**Valuer**”) in relation to the valuation of entire equity interest of Beijing Urban Construction Zhikong Technology Co., Ltd. as at the valuation base date (i.e. 31 May 2021). The valuation adopted the income approach, and therefore is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have considered various aspects of the valuation, including the bases and assumptions of preparation of the valuation, and have reviewed the valuation responsible by the Valuer. We have also considered the letter dated 10 December 2021 issued by Ernst & Young, the reporting accountant, in relation to whether, so far as the arithmetical accuracy of the calculations are concerned, the Forecast is properly prepared based on the assumptions set out in the Valuation Report. We have noticed that the calculations of the Forecast in the valuation are accurate and comply with the bases and assumptions set out in the Valuation Report.

Based on the above, we believe the Forecast is made after due and careful enquiry.

By order of the Board

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

Beijing, 10 December 2021

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this appendix or this circular misleading.

2. DISCLOSURE OF INTERESTS

Substantial Shareholders' Interests in Securities

As at the Latest Practicable Date, to the knowledge of the Directors, the following persons (other than the Directors, Supervisors and the chief executive of the Company) had interests and short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Domestic Shares

Name of Shareholder	Capacity	Number of Domestic Shares	Nature of interests	Approximate percentage of total issued Domestic Share capital (%)	Approximate percentage of total issued share capital (%)
BUCG ¹	Beneficial owner	571,031,118	Long position	59.44	42.34
Beijing Infrastructure Investment Co., Ltd. ²	Beneficial owner	87,850,942	Long position	9.14	6.51
Beijing Jingguofa Equity Investment Fund (Limited Partnership) ³	Beneficial owner	46,000,000	Long position	4.79	3.41
Tianjin Jun Rui Qi Equity Investment Partnership (LLP) ⁴	Beneficial owner	46,000,000	Long position	4.79	3.41
Beijing Chengtong Enterprise Management Center (General Partnership)	Beneficial owner	76,000,000 ⁵	Long position	7.91	5.64

Notes:

1. BUCG was incorporated by the Beijing Municipal Government.

- Beijing Infrastructure Investment Co., Ltd. is a wholly state-owned enterprise established and funded by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. On 4 August 2020, Beijing Infrastructure Investment Co., Ltd. and Beijing MTR Construction Administration Corporation (北京市軌道交通建設管理有限公司) conducted a merger and restructuring. Following the merger and restructuring, Beijing Infrastructure Investment Co., Ltd. directly and indirectly holds a total of 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.
- The general partner of Beijing Jingguofa Equity Investment Fund (Limited Partnership) is Beijing Jingguofa Investment Management Co., Ltd. The 100% equity interest in Beijing Jingguofa Investment Management Co., Ltd. is held by Baoding Taihangheyi Cement Co., Ltd. In addition, Beijing State-owned Capital Operation and Management Center is a limited partner holding 64.99% interest in Beijing Jingguofa Equity Investment Fund (Limited Partnership). Each of the above entities was deemed to have interests in the same number of Shares as Beijing Jingguofa Equity Investment Fund (Limited Partnership).
- The general partner of Tianjin Jun Rui Qi Equity Investment Partnership (LLP) is Beijing Bodao Investment Advisory Center (Limited Partnership), while the general partner of Beijing Bodao Investment Advisory Center (Limited Partnership) is Beijing Legend Capital Co., Ltd. Beijing Junqijiarui Enterprise Management Co., Ltd. holds 45.00% equity interest in Beijing Legend Capital Co., Ltd. Each of the above entities was deemed to have interests in the same number of Shares as Tianjin Jun Rui Qi Equity Investment Partnership (LLP).
- Included 18,270,000 Domestic Shares issued for connected subscriptions. For details, please refer to the circular published by the Company on 7 December 2017 and the announcement published by the Company on 5 February 2018.

H Shares

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

Notes:

- Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司) indirectly holds long positions in 68,222,000 H Shares of the Company through its wholly-owned subsidiary, Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司).
- CRRC Group (formerly known as CSR Group Limited) holds interests in 26,222,000 H Shares through its controlled corporations, CRRC Corporation Limited (formerly known as CSR Corporation Limited) and CRRC (Hong Kong) Co., Ltd. (formerly known as CSR (Hong Kong) Co. Ltd).

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

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

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

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

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

3. COMPETING INTERESTS

As at the Latest Practicable Date, 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 2020, 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:

Name of the Director/Supervisor	Position in the specific company
Pei Hongwei	Director, the general manager and the deputy secretary of the Party Committee of BUCG
Wu Donghui	Assistant to the general manager of BUCG
Shi Huaxin	Head of the capital operation department of BUCG
Guan Jifa	Deputy general manager of Beijing Infrastructure Investment Co., Ltd.
Ren Yuhang	Secretary to the board of directors and general manager of investment and development department of Beijing Infrastructure Investment Co., Ltd.
Su Bin	Deputy general manager of Beijing MTR Construction Administration Corporation

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, 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:

Name	Qualification
Gram Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Beijing Guorongxinghua Assets Appraisal Co., Ltd.	A qualified valuer in the PRC
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, each expert 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.

As at the Latest Practicable Date, each expert:

- (a) did not have any direct or indirect interest in any assets which have been, after 31 December 2020, 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.

10. 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.

11. DOCUMENTS ON DISPLAY

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

- (a) the Capital Increase Agreement;
- (b) the Existing Non-competition Agreement;
- (c) the Supplemental Agreement I to the Non-competition Agreement;
- (d) the Supplemental Agreement II to the Non-competition Agreement;
- (e) the Supplemental Agreement III to the Non-competition Agreement;
- (f) the Integrated Services Framework Agreement; and
- (g) the Supplemental Agreement to the Integrated Services Framework Agreement.

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2021



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

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

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

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2021

NOTICE IS HEREBY GIVEN that the First Extraordinary General Meeting in 2021 (the “EGM”) of Beijing Urban Construction Design & Development Group Co., Limited (the “Company”) will be held at Conference Room, Block A, 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC at 10:00 a.m. on Wednesday, 29 December 2021, to consider and, if thought fit, approve the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the Capital Increase Agreement and transactions contemplated thereunder.
2. To consider and approve the Supplemental Agreement III to the Non-competition Agreement and transactions contemplated thereunder.
3. To consider and approve the entering into of the Supplemental Agreement to the Integrated Services Framework Agreement and transactions contemplated thereunder.

By order of the Board

Beijing Urban Construction Design & Development Group Co., Limited
Pei Hongwei
Chairman

Beijing, 10 December 2021

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, Wu Donghui, Shi Huaxin, Guan Jifa, Ren Yuhang, Su Bin, Wang Tao and Ren Chong; and the independent non-executive Directors of the Company are Wang Guofeng, Ma Xufei, Sun Maozhu, Liang Qinghuai and Qin Guisheng.

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2021

Notes:

1. The register of members of the Company will be closed from Tuesday, 28 December 2021 to Wednesday, 29 December 2021, 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 Wednesday, 29 December 2021 shall be entitled to attend and vote at the EGM. Holders of H Shares of the Company who intend to attend and vote at the EGM must lodge all transfer documents accompanied by the relevant H Share certificates with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 24 December 2021 for registration.
2. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in his stead. A proxy need not be a Shareholder of the Company but must attend the EGM in person to represent the relevant Shareholder.
3. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized 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 authorized attorney. If the instrument is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarized.
4. In order to be valid, the proxy form together with the notarized power of attorney or other documents of authorization (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).