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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)

CONNECTED TRANSACTION: ASSET TRANSFER AGREEMENT

The Board is pleased to announce that, the Company entered into the Asset Transfer Agreement with BUCC on 26 October 2022 in relation to the acquisition of all assets and related creditor's rights and debts of the rail transit construction contracting department of BUCC.

As at the date of this announcement, BUCG is the controlling Shareholder of the Company, directly and indirectly holding an aggregate of 42.34% interest of the Company. BUCC is a wholly-owned subsidiary of BUCG. Accordingly, BUCC is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and the acquisition of all assets and related creditor's rights and debts of the rail transit construction contracting department of BUCC by the Company pursuant to the Asset Transfer Agreement will constitute a connected transaction of the Company.

As the highest applicable percentage ratio of the connected transaction regarding the acquisition of all assets and related creditor's rights and debts of the rail transit construction contracting department of BUCC under the Asset Transfer Agreement exceeds 0.1% but is less than 5%, such transaction is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

INTRODUCTION

The Board is pleased to announce that, the Company entered into the Asset Transfer Agreement with BUCC on 26 October 2022 in relation to the acquisition of all assets and related creditor's rights and debts of the rail transit construction contracting department of BUCC.

THE ASSET TRANSFER AGREEMENT

The principal terms of the Asset Transfer Agreement are summarised as follows:

Date of agreement

26 October 2022

Parties to the agreement

Transferor: BUCC

Transferee: the Company

Transfer subject

The transfer subject is all assets and related creditor's rights and debts of the rail transit construction contracting department of BUCC. The specific scope of the transfer is subject to the scope stated in the Assets Valuation Report on the Valuation of the Asset Group Portfolio of the Rail Transit Engineering Business to be Transferred of Beijing Uni.-Construction Group Co., Ltd. (Guorong Xinghua Ping Bao Zi [2022] No. 020276) (《北京住總集團有限責任公司擬轉讓軌道工程業務資產組組合涉及其資產組組合價值評估項目資產評估報告》(國融興華評報字[2022]第020276號))(the "Valuation Report") issued by Beijing Guorong Xinghua Assets Appraisal Company Limited with 31 March 2022 as the valuation base date.

Consideration and payment method

The consideration for the transfer subject is RMB19,244,700, which shall be payable through the Company's own funds in a lump sum to the designated settlement account of the transferor within 10 working days after the Asset Transfer Agreement becoming effective. Below summarises the audited financial data of the transfer subject for the years ended 31 December 2021 and 31 December 2020:

	<i>(Unit: RMB ten thousand)</i>	
	2021	2020
Total revenue	42,011.16	8,575.20
Total profit	1,935.41	-80.56
Net profit	1,935.41	-80.56

Basis of determining the consideration

The consideration for the asset transfer was based on the Valuation Report. As at 31 March 2022, under the income approach, the appraised value of net assets for all assets and related creditor's rights and debts of the rail transit construction contracting department of BUCC amounted to RMB19,244,700.

Pursuant to Rule 14.62(1) of the Listing Rules, the principal assumptions for preparation of the Valuation Report are set out below:

1 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 for a finite life assumes that the rail transit construction contracting department of BUCC will not cease operation for any reason in the foreseeable future, but will continue to operate lawfully during the term of operation with its existing assets and resources.

2 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, taxation base, tax rate or policy-imposed levies relating to the appraised assets subsequent to the valuation base date;
- (3) It is assumed that the management of the Company is responsible, stable and capable of taking on its duties subsequent to the valuation base date; and
- (4) Unless otherwise stated, it is assumed that the rail transit construction contracting department of BUCC fully complies with all relevant laws and regulations.

3 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 assets subsequent to the valuation base date;

- (4) It is assumed that the accounting policies adopted by the Company subsequent to the valuation base date will be consistent in material aspects with those adopted in the preparation of the asset valuation report;
- (5) It is assumed that the business scope and method of operation of the Company subsequent to the valuation base date will be consistent with those in existence on the basis of the existing management model and level; and
- (6) It is assumed that the cash inflow of the appraised target is the average inflow and its cash outflow is the average outflow subsequent to the valuation base date.

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 the transfer subject to understand the transfer subject 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 the transfer subject 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 the transfer subject set out in the Valuation Report is made after due and careful enquiry. Letters from Ernst & Young and the Board are set out in Appendix I and Appendix II to this announcement, respectively.

EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
Beijing Guorong Xinghua Assets Appraisal Company Limited	A qualified valuer in the PRC
Ernst & Young	Certified Public Accountants

As at the date of this announcement, each expert has given and has not withdrawn its written consent to the issue of this announcement with the inclusion herein of its letter or report and references to its name and advice in the form and context in which it appears. As at the date of this announcement, each expert:

- (a) does not have any direct or indirect interest in any assets which have been 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) does 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.

SHARING OF TRANSACTION COSTS

The parties to the agreement shall be responsible for their own transaction costs that arise in the course of asset transaction under the Asset Transfer Agreement as stipulated therein.

REASONS FOR AND BENEFITS OF THE ASSET TRANSFER AGREEMENT

The entering into of the Asset Transfer Agreement is conducive to implementing the relevant requirements of the Beijing Municipal Committee of CPC and Municipal Government to promote the reform of state-owned assets and state-owned enterprises, implementing the “14th Five-Year Plan” of BUCG, addressing the issue of horizontal competition and facilitating the process of the Company’s A-share listing.

The Directors (including the independent non-executive Directors) are of the view that the Asset Transfer Agreement was entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms and conditions of the agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON 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 BUCC

BUCC is principally engaged in real estate development and operation, EPC (engineering, procurement and construction) contracting for all kinds of industrial, energy, transportation, urban and civil engineering and construction projects, architectural design, building technology development and technological consulting. It is a wholly-owned subsidiary of BUCG, the controlling Shareholder of the Company. BUCG is a wholly state-owned company with limited liability and its principal businesses include construction contracting, real estate development and design consulting. Its ultimate beneficial owner is the Beijing Municipal People’s Government.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, BUCG is the controlling Shareholder of the Company, directly and indirectly holding an aggregate of 42.34% interest of the Company. BUCC is a wholly-owned subsidiary of BUCG. Accordingly, BUCC is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and the acquisition of all assets and related creditor’s rights and debts of the rail transit construction contracting department of BUCC by the Company pursuant to the Asset Transfer Agreement will constitute a connected transaction of the Company.

As the highest applicable percentage ratio of the connected transaction regarding the acquisition of all assets and related creditor’s rights and debts of the rail transit construction contracting department of BUCC under the Asset Transfer Agreement exceeds 0.1% but is less than 5%, such transaction is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Mr. Pei Hongwei and Ms. Shi Huaxin are deemed to be materially interested in the Asset Transfer Agreement by virtue of their positions in BUCG. Therefore, they have abstained from voting on the relevant resolutions at the Board meeting. Save as mentioned above, none of the other Directors has a material interest in the Asset Transfer Agreement and is therefore required to abstain from voting on the relevant resolutions at the Board meeting.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Asset Transfer Agreement”	the asset transfer agreement entered into between the Company and BUCC on 26 October 2022
“Board”	the board of Directors of the Company
“BUCC”	Beijing Uni.-Construction Group Co., Ltd.* (北京住總集團有限責任公司), a wholly-owned subsidiary of BUCG
“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), the controlling Shareholder of the Company holding 42.34% equity interest in the Company, and a wholly state-owned enterprise under the Beijing Municipal Government
“Company”	Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司), a joint stock company 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 Hong Kong Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“percentage ratio(s)”	percentage ratio(s) as defined in Rule 14A.06(30) of the Hong Kong Listing Rules
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of H share(s) and domestic share(s) of the Company
“%”	per cent

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

Beijing, 26 October 2022

As at the date of this announcement, the executive directors of the Company are Wang Hanjun and Li Guoqing; the non-executive directors of the Company are Pei Hongwei, Shi Huaxin, Peng Dongdong, Li Fei, Wang Tao and Tang Qimeng; and the independent non-executive directors of the Company are Wang Guofeng, Qin Guisheng, Ma Xufei and Xia Peng.

APPENDIX I LETTER FROM THE REPORTING ACCOUNTANT OF THE COMPANY ON VALUATION REPORT

26 October 2022

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**”) for the assets valuation conducted by Beijing Guorong Xinghua Assets Appraisal Company Limited on 27 July 2022 in respect of the asset group portfolio of the rail transit engineering business to be transferred of Beijing Uni.-Construction Group Co., Ltd. * (北京住總集團有限責任公司) (the “**Target Business**”) as at 31 March 2022. The valuation is set out in the announcement of Beijing Urban Construction Design & Development Group Co., Limited (the “**Company**”) dated 26 October 2022 (the “**Announcement**”) in relation to the acquisition of the asset group portfolio of the target company. 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.

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 Business. 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

* *for identification purposes only*

APPENDIX II LETTER FROM THE BOARD OF THE COMPANY ON THE PROFIT FORECAST OF THE TRANSFER SUBJECT



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
ASSET TRANSFER AGREEMENT**

We refer to the valuation report (the “**Valuation Report**”) prepared by Beijing Guorong Xinghua Assets Appraisal Company Limited (the “**Valuer**”) in relation to the valuation of the asset group portfolio of the rail transit engineering business of Beijing Uni.-Construction Group Co., Ltd. as at the valuation base date (i.e. 31 March 2022). 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 26 October 2022 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, 26 October 2022