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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)**

**ANNOUNCEMENT**  
**CONCLUSION OF CONTINUING CONNECTED TRANSACTIONS**

References are made to the announcement and circular of the Company dated 8 November 2019 and 13 December 2019, respectively, in relation to, among others, (i) conclusion of the Integrated Services Framework Agreement; and (ii) setting of the annual caps for the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement for the three years ending 31 December 2022, which were entered into between the Company and BUCG.

**CONCLUSION OF CONTINUING CONNECTED TRANSACTIONS**

As the Integrated Services Framework Agreement as well as the annual caps for the continuing connected transactions thereunder are due to expire on 31 December 2022, the Company has, on 16 December 2022, renewed the agreement with BUCG for a further term of three years commencing from 1 January 2023 and ending on 31 December 2025, and set the annual caps for the continuing connected transactions, for both revenue and expenditure, contemplated thereunder for the next three years ending 31 December 2025.

Due to the fact that the Company entered into an agreement in relation to the acquisition of the entire equity interest in the Residential Institute in 2022, which resulted in an increase in the continuing connected transactions relating to properties and lands between the Group and BUCG following the integration of the Residential Institute into the Group, the Company has revised the annual cap for the year of 2022 under the Existing Property and Land Leasing Framework Agreement in light of the actual situation. In addition, as the Existing Property and Land Leasing Framework Agreement is due to expire on 17 June 2024, considering the changes in the lease scope of properties and lands due to the integration of the Residential Institute, failure of the existing agreement to fully meet the future transaction needs and other factors, the Company has, on 16 December 2022, entered into the New Property and Land Leasing Framework Agreement with BUCG for a term of three years commencing from 1 January 2023 and ending on 31 December 2025, and set the annual caps for the continuing connected transactions contemplated thereunder for the next three years ending 31 December 2025. The Existing Property and Land Leasing Framework Agreement will be terminated after the New Property and Land Leasing Framework Agreement comes into force.

## **HONG KONG LISTING RULES IMPLICATIONS**

BUCG directly and indirectly holds an aggregate of 42.34% interest in the Company and is the controlling Shareholder of the Company, therefore constituting a connected person under Chapter 14A of the Hong Kong Listing Rules as of the date of this announcement. Accordingly, the Integrated Services Framework Agreement and the New Property and Land Leasing Framework Agreement entered into between the Group and BUCG and the transactions contemplated under such agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

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

As the highest applicable percentage ratios in respect of the adjustment to the annual cap under the Existing Property and Land Leasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated under the New Property and Land Leasing Framework Agreement are more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## **EXTRAORDINARY GENERAL MEETING**

The Company will convene an extraordinary general meeting for the purposes of, among other things, obtaining the Independent Shareholders' approval for the continuing connected transactions contemplated under the Integrated Services Framework Agreement and the proposed annual caps. BUCG, its subsidiaries and/or associates will abstain from voting on the resolution in this regard at the extraordinary general meeting.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025. An independent financial adviser has also been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the same matters.

A circular containing, among other things, (i) further details of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of the extraordinary general meeting of the Company, will be despatched by the Company to the Shareholders in due course. As it takes time to finalize certain information to be incorporated into the circular, the Company may despatch the circular 15 business days after the publication of this announcement.

## **I. INTRODUCTION**

References are made to the announcement and circular of the Company dated 8 November 2019 and 13 December 2019, respectively, in relation to, among others, (i) conclusion of the Integrated Services Framework Agreement; and (ii) setting of the annual caps for the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement for the three years ending 31 December 2022, which were entered into between the Company and BUCG.

## **II. RENEWAL OF THE INTEGRATED SERVICES FRAMEWORK AGREEMENT**

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

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

<b>Parties</b>	The Company  BUCG
<b>Term of the Agreement</b>	For a term of three years from 1 January 2023 to 31 December 2025

## Principal Terms and Conditions

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

- (a) The integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group include but are not limited to engineering construction related services, including but not limited to provision of labor performing basic physical work in engineering projects, supply of raw materials used in engineering construction, construction machinery equipment leasing; and training services and other services required by the Group to carry out its business.
- (b) The integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates include but are not limited to: (i) project survey, design and consultancy services, including but not limited to measurement, test, inspection of construction drawings, as well as training services and other services required by BUCG, its subsidiaries and/or associates to carry out their businesses; and (ii) project subcontracting and/or specialised services, including but not limited to project management and equipment leasing services, etc., pursuant to Situations (2) and (3)<sup>1</sup> of the Supplemental Agreement II to the Non-competition Agreement.
- (c) The parties agree that the transaction shall be consummated in line with the applicable general market practice (if any) and on normal commercial terms.
- (d) The parties are entitled to choose the counterparty of the transaction, i.e. to provide services to, or obtain services from, any third parties (other than in the circumstances specified in paragraph (e) below). Meanwhile, BUCG, its subsidiaries and/or associates shall provide services to the Group on terms and conditions no less favourable than those offered to independent third parties under similar circumstances and shall not request the Group to provide services on terms and conditions more favourable than those offered to the independent third parties by the Group.

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1: As Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement restrict the Company from bidding for certain projects in relation to its principal activities, if it is for the interests of the Company and the requirements for bidding are satisfied, BUCG agrees to leverage its advantages to bid for or jointly with the Company bid for a project, and then subcontract part of the project to the Group pursuant to the requirements of Clause 3.8 of the Supplemental Agreement II to the Non-competition Agreement. For details, please refer to the announcement of the Company dated 29 October 2015 and the circular of the Company dated 11 December 2015.

- (e) Notwithstanding any other provisions of the agreement, in respect of the awarded projects cooperated with and/or bid by BUCG under the Situations (2) and (3) as set out in the Supplemental Agreement II to the Non-competition Agreement, BUCG shall, in accordance with the terms of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded projects bid by BUCG for the Company to the Group and/or enter into such other ways of cooperation, including but not limited to project management services and/or equipment leasing services, etc., as permitted by the project owner on a non-profitable basis for BUCG.

### **Pricing Policy**

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

- (a) The government guidance prices represent the pricing range or level for certain categories of services as stipulated by the central government, provincial governments, local governments, industrial associations or other competent authorities, and the prices shall be determined by the parties through negotiation with reference to such pricing range or level. The Company will continue to keep itself updated with the latest developments of government guidance prices. If there is any document issued by the government to regulate the services in which the Company is involved and set out specific price range or level, the prices will be determined within the range of government guidance prices stipulated in such document.

- (b) In addition to government guide prices, the Company will also make reference to the market prices after taking into account project scale, technical difficulty, construction period, labor cost and other factors specific to different projects. (“Market prices” mean (1) the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the place where such services are provided or areas in proximity to such place, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions; or (2) where item (1) is not applicable, the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the PRC, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions obtained by the Company from public sources such as the China Government Procurement Network and the Chinese Government Purchase Service Information Platform (中國政府採購網中國政府購買服務信息平台 <http://www.ccgp.gov.cn>), the China Tendering and Procurement Network (中國招標與採購網 [www.zbytb.com](http://www.zbytb.com)), and the China Procurement and Bidding Network (中國採購與招標網 <http://www.chinabidding.com.cn/>).

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

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



- (b) “Agreed prices” shall be calculated based on “reasonable costs plus reasonable profits” and determined with reference to “market prices”, but should be in any event no more favourable to the terms and prices of same or similar type of services provided to independent third parties.

“Reasonable costs” means costs (including sales tax and surcharge) agreed by both parties through negotiation and permitted by the national financial accounting system; “Reasonable profits” means profits calculated based on market practices and reasonable costs. (The Company will estimate the costs and prices of projects with reference to the calculation methods set out in the relevant charging guidelines issued by the government or industrial associations. For project consultancy services, the Company will make reference to the Guidelines on Charging for Preliminary Consulting Services for Urban Rail Transit (《城市軌道交通前期諮詢工作收費指導意見》) issued by China Association of Metros (中國城市軌道交通協會). For project contracting related services, the Company will make reference to the Information on Project Costs (《工程造價信息》) regularly issued by local commission of housing and urban-rural development, which sets out recommended prices of construction materials of specific categories.)

In order to ensure that the prices are fair and reasonable and in any event no more favourable to the terms and prices of same or similar type of services provided to independent third parties, the Company will make reference to the market prices after taking into account project scale, technical difficulty, construction period, labor cost and other factors specific to different projects. (“Market prices” mean (1) the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the place where such services are provided or areas in proximity to such place, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions; or (2) where item (1) is not applicable, the successful bid prices of independent third parties for services of the same category on normal commercial terms in the ordinary course of business in the PRC, with reference to the prices offered by at least two independent third parties for the same or similar services on the same conditions obtained by the Company from public sources such as the China Government Procurement Network and the Chinese Government Purchase Service Information Platform (中國政府採購網中國政府購買服務信息平台 <http://www.ccgp.gov.cn>), the China Tendering and Procurement Network (中國招標與採購網 [www.zbytb.com](http://www.zbytb.com)), and the China Procurement and Bidding Network (中國採購與招標網 <http://www.chinabidding.com.cn/>).

According to the audited financial information of the Company for the past three years, the profits of project survey, design and consultancy services range from approximately 30% to 35% of the contract amount, and the profits of project contracting services range from approximately 8% to 10% of the contract amount.

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

**Payment  
Arrangements**

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



## **Implementation Agreements**

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

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

### ***2.1 Historical transaction amounts***

Set out below is the historical transaction amounts in respect of the mutual provision of integrated services between the Group and BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement for the preceding two years ended 31 December 2021 and the six months ended 30 June 2022:

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

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

The Company estimates the proposed annual caps for the continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement proposed to be renewed for the next three years ending 31 December 2025 as follows:

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

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

### **2.3.1 Revenue**

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

- (a) **Design, survey and consultancy services to be provided by the Group to BUCG, its subsidiaries and/or associates:** The design, survey and consultancy segment has been the traditional and core business of the Group. The Company expects that the revenue from such services would continue to increase with the continued expansion of the business scope of the Group as well as expansion of the business of BUCG. Revenue from the provision of such services to BUCG is expected to increase to approximately RMB305.7 million, RMB225.6 million and RMB237.7 million for the three financial years ending 31 December 2025, respectively.

- (b) **Construction contracting services to be provided by the Group to BUCG, its subsidiaries and/or associates:** The Company expects that the revenue from such services would increase with the commitment of the Group to expand the geographical coverage of construction contracting projects. Revenue from the provision of such services to BUCG is expected to increase to approximately RMB422.2 million, RMB441.1 million and RMB443.6 million for the three financial years ending 31 December 2025, respectively.
- (c) **Other potential projects:** Investments by the PRC government, including the central and local governments, in urban infrastructure are expected to continue to grow steadily in the near future. Given the dominant position of BUCG in the construction general contracting and investment construction sector, the Company expects to continue to work closely with BUCG in the areas of urban development and construction design consultation in the Beijing-Tianjin-Hebei region, in the circumstances specified in the Supplemental Agreement II to the Non-competition Agreement. To provide for further potential projects to be obtained by BUCG on the Company's behalf in such circumstances, the Company has included a buffer of 10% increase for the year ending 31 December 2024 based on the estimated annual cap for the year of 2023 and a 10% increase for the year of 2025 based on the estimated annual cap for the year of 2024 in its estimation of the annual caps of revenue from BUCG, its subsidiaries and/or associates.

### *2.3.2 Expenditure*

When estimating the annual caps for the expenditure to be incurred by the Group for the provision of integrated services by BUCG, its subsidiaries and/or associates to the Group under the Integrated Services Framework Agreement proposed to be renewed for the next three years, the Company has made reference to the historical transaction figures as listed above and the new contracts obtained by the Group in 2022. The key factors considered are:

- (a) **The expenditures incurred and to be incurred for the construction projects and PPP projects obtained by the Company:** Among these projects, the major projects include: Beijing Metro New Airport Express, Beijing Metro Lines 14, 17 and 22, Lhasa Node Renovation Project, PPP Project of Chongqing Bishan-Tongliang Line and Part B of Kunming Rail Transit Line 4 PPP Project. The estimated expenditures to be incurred for the three financial years ending 31 December 2025 are RMB494.12 million, RMB350.46 million and RMB207.56 million, respectively.

- (b) **The expenditures to be incurred for potential construction projects, EPC and PPP projects which the Company may obtain in the next three years:** The Company has taken into account upcoming potential EPC and PPP projects which are already publicly known and which the Company would bid for and may obtain in the near future. For these projects, BUCG, its subsidiaries and/or associates will continue to provide integrated services to the Group and annual expenditures would be incurred for the provisions of such services. Among these projects, the Company estimates that it would be successful in obtaining two projects in the next three financial years. These potential upcoming projects include the general contracting projects for rail transit in Beijing and Hainan, with an estimated aggregate construction amount of approximately RMB6,000 million, and estimated expenditures of approximately RMB408.45 million, RMB578.05 million and RMB719.80 million, respectively for the three financial years ending 31 December 2025, respectively for the integrated services to be provided by BUCG, its subsidiaries and associates to the Group.
- (c) **Other potential urban transit projects in the next three financial years:** As stated in the Company's 2021 annual report, the National Development and Reform Commission issued the development plans for rail transit in multiple cities and areas and various cities and areas also promulgated new policies, showing that rail transit maintains a great potential for development, and urban express rail/urban (suburban) railways will become an effective link between urban and suburban areas/urban agglomerations, and the importance and demand of urban express rail has significantly increased. Under such situation, the Company expects that investments by the government in urban transit projects will continue in the next three financial years which will provide more business opportunities for the Group resulting in increased expenditures for the integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group. The Company has therefore included an annual increase of 10% on the estimation of annual caps for the expenditures for the years of 2024 and 2025 based on the estimation of annual cap for the previous year so as to accommodate more projects which the Group may successfully obtain during the two years ending 31 December 2024 and which would require the integrated services of BUCG, its subsidiaries and associates.

## **2.4 Internal control measures**

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

The Company has formulated relevant Administrative Measures on Connected Transactions, in accordance with supervisory requirements of Hong Kong Stock Exchange in respect of connected transactions and continuing connected transactions and with reference to actual situation of the Company, which implements strict regulation from aspects of identification of connected transactions, procedure of review and approval, report, supervision and management and related information disclosure.

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

- (a) The Department of Board Secretary is responsible for collecting detailed data in respect of above-mentioned continuing connected transactions on a regular basis, including but not limited to pricing terms, payment arrangement and actual transaction amounts specified in individual service contracts under the Integrated Services Framework Agreement; the Legal and Audit Department and the Financial Department of the Company shall assist in reviewing and controlling the specific terms, conditions and actual transaction amounts of such continuing connected transactions.
- (b) Senior management of the Company and its subsidiaries is responsible for supervising whether the transaction terms, pricing and other terms specified in individual service contracts are in compliance with the principles set out in the Integrated Services Framework Agreement, whether the price conformed with relevant pricing requirements if the service applies price prescribed by the government, government-guided price or price determined through tender process and whether the price conformed with the range of the then market price applicable to same type of services if the service price is based on the market price, as well as evaluating the fairness of the transaction terms and pricing terms, and reporting relevant information to the Board in time.

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

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

In the ordinary and usual course of business, BUCG, its subsidiaries and/or associates require the integrated services including project design, survey and consultancy services, project subcontracting and/or specialised services from the Group from time to time. On the other hand, the Group also requires the integrated services including engineering construction related services and training services from BUCG, its subsidiaries and/or 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 can standardize the mutual provision of above services between the Group and BUCG, clarify the content and operating methods of business cooperation between both parties, establish the transaction principles and pricing principles in relation to the connected transactions, standardize the operating process and specify rights and obligations of both parties.

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



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

### **III. ENTERING INTO OF THE NEW PROPERTY AND LAND LEASING FRAMEWORK AGREEMENT**

#### **1. Adjustment to the Annual Cap under the Existing Property and Land Leasing Framework Agreement**

In order to regulate the continuing connected transactions in respect of leasing of property and land between the parties, the Company and BUCG, its subsidiaries or associates entered into the Existing Property and Land Leasing Framework Agreement on 18 June 2014 for a term of 10 years commencing from 18 June 2014 and expiring on 17 June 2024. On 8 November 2019, the Company has resolved to set the annual caps for the continuing connected transactions contemplated thereunder for the next three years ending 31 December 2022.

Due to the fact that the Company entered into an agreement in relation to the acquisition of the entire equity interest in the Residential Institute in 2022, which resulted in an increase in the continuing connected transactions relating to properties and lands between the Group and BUCG following the integration of the Residential Institute into the Group, the Company therefore has revised the annual cap for the year of 2022 under the Existing Property and Land Leasing Framework Agreement in light of the actual situation. On 16 December 2022, the Board resolved to adjust the annual cap for the year ending 31 December 2022 under the Existing Property and Land Leasing Framework Agreement from the original amount of RMB21 million to RMB35 million. Except for the adjustment to the annual cap, other terms of the Existing Property and Land Leasing Framework Agreement remain unchanged.

## 2. Entering into of the New Property and Land Leasing Framework Agreement

As the Existing Property and Land Leasing Framework Agreement is due to expire on 17 June 2024, considering the changes in the lease scope of properties and lands due to the integration of the Residential Institute, failure of the existing agreement to fully meet the future transaction needs and other factors, the Company has, on 16 December 2022, entered into the New Property and Land Leasing Framework Agreement with BUCG for a term of three years commencing from 1 January 2023 and ending on 31 December 2025, and set the annual caps for the continuing connected transactions contemplated thereunder for the next three years ending 31 December 2025. The Existing Property and Land Leasing Framework Agreement will be terminated after the New Property and Land Leasing Framework Agreement comes into force. Details of the New Property and Land Leasing Framework Agreement are summarized as follows:

<b>Parties</b>	The Company  BUCG
<b>Term of the Agreement</b>	For a term of three years commencing from 1 January 2023 and ending on 31 December 2025
<b>Principal Terms and Conditions</b>	Pursuant to the New Property and Land Leasing Framework Agreement:  (a) BUCG, its subsidiaries and/or associates agreed to lease the Leased Properties to the Group exclusively for office and operation uses. Details of the Leased Properties are as follows:  (i) Tower One, Building No. 6, Wu Qu, An Hui Lane, Chaoyang District, Beijing and the corresponding land with a GFA of approximately 4,200 sq.m. for the building and a site area of approximately 5,333 sq.m. for the land at a rental price of approximately RMB0.96 million per year;  (ii) Office Building located at No.7 Toutiao, Nan Lishi Road, Xicheng District, Beijing and the corresponding land with a GFA of approximately 8,000 sq.m. for the building and a site area of approximately 6,027 sq.m. for the land at a rental price of RMB11.00 million per year;  (iii) Rooms A606-608, A610-11 and B606-09, 6/F, Chengjian Mansion Office Tower, No. 18 North Taipingzhuang Road, Haidian District, Beijing with a GFA of approximately 1,156 sq.m. at a rental price of approximately RMB1.65 million per year; and

- (iv) Garage 1, Rooms 105, 201, 301, 401, 501, 601, 701, 801 and 901, Floor 1 to Floor 9 of BUCC Design Institute Building (BUCC), Building 5, Dongzongbu Hutong, Dongcheng District, Beijing with a GFA of 6,508 sq.m. at a rental price of RMB7.00 million per year.
- (b) As agreed by the parties, other than the Leased Properties listed above, during the term of the New Property and Land Leasing Framework Agreement, the Group has the right to lease additional properties and land from BUCG, its subsidiaries and/or associates in accordance with the terms and conditions of the New Property and Land Leasing Framework Agreement.
- (c) BUCG shall ensure and/or procure the property management companies to maintain proper management of the Leased Properties, including but not limited to inspection and repair of the Leased Properties and relevant public facilities to keep them in good condition.
- (d) BUCG has agreed to indemnify the Company against any loss or damage the Company may suffer or incur as a result of any issues relating to the title arising from use of the Leased Properties.
- (e) The Group may, at any time during the term of the New Property and Land Leasing Framework Agreement, by giving not less than six months' written notice, terminate any lease made pursuant to and comprised under such agreement.

**Determination and  
Payment of Rentals  
and Other Charges**

Pursuant to the New Property and Land Leasing Framework Agreement, the rentals and other charges shall be determined and paid as follows:

- (a) Both parties shall review and adjust the rentals of the Leased Properties every three years during the term of the New Property and Land Leasing Framework Agreement by reference to the prevailing market rate.
- (b) Any downward adjustment in rentals for the Leased Properties may be discussed between the parties at any time during the term of the New Property and Land Leasing Framework Agreement notwithstanding the normal three-year rental adjustment mechanism as described above.

- (c) The Group shall also be responsible for all utility charges, property management fee (if applicable) and other miscellaneous expenses (including water, electricity, air conditioning, etc., but excluding property tax) incurred in using the Leased Properties.
- (d) The rentals in respect of the Leased Properties shall be paid by the Group on a yearly and quarterly basis to BUCG, its subsidiaries and/or associates, details of which shall be specified in the individual lease agreement entered into between the parties under the New Property and Land Leasing Framework Agreement.
- (e) Payment of the utility charges, property management fee and other miscellaneous expenses shall be specified in the individual lease agreement entered into between the parties under the New Property and Land Leasing Framework Agreement.

**Implementation Agreements**

During the term of the New Property and Land Leasing Framework Agreement, members of the Group and BUCG, its subsidiaries and/or associates will enter into, from time to time and as necessary, individual lease agreement for each of the specific transactions contemplated under such framework agreement, provided that any such individual lease agreement shall be within the ambit of, and shall not contravene the principles or any provisions as agreed by the parties in the New Property and Land Leasing Framework Agreement.

**3. Proposed Annual Caps for the Three Financial Years Ending 31 December 2025**

**3.1 Historical transaction amounts**

Set out below are the historical transaction amounts (consisting of rentals and other charges such as property management fees) between the Group and BUCG, its subsidiaries and/or associates under the Existing Property and Land Leasing Framework Agreement for the preceding two years ended 31 December 2021 and the six months ended 30 June 2022:

	<b>Approximate historical transaction amounts for the financial year/six-month period ended</b>		
	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>30 June 2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Expenditure incurred by the Group for leasing the property and land from BUCG, its subsidiaries and/or associates	17	18	10

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

The Company estimates the annual caps for the continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the New Property and Land Leasing Framework Agreement for the next three years ending 31 December 2025 as follows:

	<b>Proposed annual caps for the year ending</b>		
	<b>31 December 2023</b>	<b>31 December 2024</b>	<b>31 December 2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Expenditure to be incurred by the Group for leasing properties and land from BUCG, its subsidiaries and/or associates	37	39	41

### **3.3 Basis of determination of the proposed annual caps**

The above estimated annual caps for the continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the New Property and Land Leasing Framework Agreement for the next three years were mainly determined with reference to the historical transaction figures as listed above and after taking into consideration the following factors:

- (a) the growth rate of office rentals in Beijing and the possibility of rental growth and the rate of such growth in the upcoming years, for example, Beijing Grade A office rental levels experienced an average annual rental growth of approximately 3.13% in the past three years from approximately RMB323 per sq.m. per month to approximately RMB356 per sq.m. per month according to the latest statistics issued by China Office Research Center;
- (b) the inflation and improvement of living standards in the PRC;
- (c) benefiting from the positive investment environment for future growth in the PRC urban rail transit industry, the Group's increase in demand for additional office and business premises due to the growth of its business and the potential new leases that the Group may enter into with BUCG, its subsidiaries and/or associates;

- (d) the inclusion of a buffer for the estimated amount in respect of expenditure to be incurred by the Group for leasing properties and land from BUCG, its subsidiaries and/or associates for the years of 2024 and 2025 so as to accommodate any unexpected increase in the above-mentioned transaction amount as a result of any unexpected increase in the market rate during the year; and
- (e) a large increase in total number of property leases between the Company and BUCG due to the integration of the Residential Institute and the rail transit project master contracting department of Beijing Uni-construction Group Co., Ltd. (a wholly owned subsidiary of BUCG) into the Company.

#### **4. Reasons for and Benefits of entering into the New Property and Land Leasing Framework Agreement**

Entering into the New Property and Land Leasing Framework Agreement may be conducive to obtaining long-term property use rights for the Group, thereby avoiding unnecessary suspension of operation arising from relocation of the Group, and ensuring long-term development and continuous operation of the Group. Meanwhile, entering into the New Property and Land Leasing Framework Agreement, which may reduce the cost from initial establishment, such as internal renovation and lease renewal fees (if being short-term leasing), is in the commercial interests of the Group.

The Directors (including the independent non-executive Directors) are of the view that the adjustment to the annual cap for the year ending 31 December 2022 under the Existing Property and Land Leasing Framework Agreement and the continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the New Property and Land Leasing Framework Agreement and the proposed annual caps for the three years ending 31 December 2025 are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and are fair and reasonable, and are in the best interests of the Shareholders and the Company as a whole.



#### **IV. HONG KONG LISTING RULES IMPLICATIONS**

BUCG directly and indirectly holds an aggregate of 42.34% interest in the Company and is the controlling Shareholder of the Company, therefore constituting a connected person under Chapter 14A of the Hong Kong Listing Rules as of the date of this announcement. Accordingly, the Integrated Services Framework Agreement and the New Property and Land Leasing Framework Agreement entered into between the Group and BUCG and the transactions contemplated under such agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

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

As the highest applicable percentage ratios in respect of the adjustment to the annual cap under the Existing Property and Land Leasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated under the New Property and Land Leasing Framework Agreement are more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

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

## **V. GENERAL INFORMATION**

### **Information on the Company**

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

### **Information on BUCG**

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

## **VI. EXTRAORDINARY GENERAL MEETING**

The Company will convene an extraordinary general meeting for the purposes of, among other things, obtaining the Independent Shareholders' approval for the renewal of the Integrated Services Framework Agreement and the proposed annual caps for the continuing connected transactions, for both revenue and expenditure, contemplated thereunder for the three years ending 31 December 2025. BUCG, its subsidiaries and/or associates will abstain from voting on the resolution in this regard at the extraordinary general meeting.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025. An independent financial adviser has also been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the same matters.

A circular containing, among other things, (i) further details of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of the extraordinary general meeting of the Company, will be despatched by the Company to the Shareholders in due course. As it takes time to finalize certain information to be incorporated into the circular, the Company may despatch the circular 15 business days after the publication of this announcement.

## VII. DEFINITIONS

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

“associate(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of directors of the Company
“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), the controlling shareholder of the Company holding 42.34% interest in the Company and a wholly state-owned enterprise under the Beijing Municipal People’s Government
“Company”	Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1599)
“connected person(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“EPC”	engineering, procurement, and construction
“Existing Property and Land Leasing Framework Agreement”	the property and land leasing framework agreement entered into between the Company and BUCG on 18 June 2014
“GFA”	gross floor area
“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

“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Wang Guofeng, Mr. Qin Guisheng, Mr. Ma Xufei and Mr. Xia Peng, which was established to advise the Independent Shareholders in relation to the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder, for both revenue and expenditure, for the three years ending 31 December 2025
“Independent Shareholders”	Shareholders other than those required by the Hong Kong Listing Rules to abstain from voting on the resolution to be proposed at the extraordinary general meeting in relation to the renewal of the Integrated Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder
“Integrated Services Framework Agreement”	the integrated services framework agreement entered into between the Company and BUCG on 16 December 2022
“Leased Properties”	the properties and land leased by BUCG, its subsidiaries and/or associates to the Group exclusively for office and operation uses under the New Property and Land Leasing Framework Agreement including four properties occupying a total GFA of approximately 19,864 sq.m. and relevant land occupying a total site area of approximately 11,360 sq.m., which are located in Beijing, the PRC
“New Property and Land Leasing Framework Agreement”	the property and land leasing framework agreement entered into between the Company and BUCG on 16 December 2022
“Non-competition Agreement”	the non-competition agreement entered into between BUCG and the Company on 24 January 2014, as amended by the Supplemental Agreement I to the Non-competition Agreement on 16 June 2014, the Supplemental Agreement II to the Non-competition Agreement on 29 October 2015 and the Supplemental Agreement III to the Non-competition Agreement on 10 November 2021 signed by the parties
“PPP”	“Public-Private-Partnership” mode
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement only, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Residential Institute”	Beijing Institute of Residential Building Design & Research Co., Ltd. (北京市住宅建築設計研究院有限公司)
“Shareholder(s)”	holders of the Shares of the Company

“sq.m.”	square meter
“subsidiary(ies)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Supplemental Agreement I to the Non-competition Agreement”	the supplemental agreement entered into between BUCG and the Company on 16 June 2014 to amend the non-competition agreement entered into between BUCG and the Company on 24 January 2014
“Supplemental Agreement II to the Non-competition Agreement”	the second supplemental agreement entered into between BUCG and the Company on 29 October 2015 to amend the Non-competition Agreement, which was entered into between BUCG and the Company on 24 January 2014 as amended by the first supplemental agreement on 16 June 2014
“Supplemental Agreement III to the Non-competition Agreement”	the third supplemental agreement entered into between BUCG and the Company on 10 November 2021 to amend the Non-competition Agreement, which was entered into between BUCG and the Company on 24 January 2014 as amended by the first supplemental agreement on 16 June 2014 and the second supplemental agreement on 29 October 2015 respectively

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

Beijing, 16 December 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.*