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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

北京城建設計發展集團股份有限公司

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

(Stock Code: 1599)

**CONNECTED TRANSACTION
AMENDMENTS TO THE EXISTING NON-COMPETITION
AGREEMENT**

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



SOMERLEY CAPITAL LIMITED

AMENDMENTS TO 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. Pursuant to the Existing Non-competition Agreement, BUCG has undertaken that during the term thereof, among other things, 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 compete with the core businesses of the Company.

BUCG and the Company entered into the Supplemental Agreement to the Existing Non-competition Agreement to add a new provision providing for the co-operations between the Company and BUCG in certain situations on 29 October 2015. The supplemental agreement is conditional upon the approval of the Independent Shareholders at the EGM.

Certain continuing connected transactions between the Company and BUCG will arise from the amendments to the Existing Non-competition Agreement.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, BUCG held 44.87% of the Company's issued shares and is therefore a controlling shareholder and connected person of the Company under the Hong Kong Listing Rules. According to Chapter 14A of the Hong Kong Listing Rules, amending the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing 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 Hong Kong Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zhang Fengchao, Mr. Wang Dexing, Mr. Yim Fung, Mr. Sun Maozhu and Mr. Liang Qinghuai, has been established for the purpose of advising the Independent Shareholders in respect of the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement.

GENERAL

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement by way of an ordinary resolution.

A circular containing, among other things, (i) details of the Supplemental Agreement to the Existing Non-competition Agreement; (ii) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement; (iii) 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 the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement; and (iv) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 25 November 2015, as the Company needs some time to finalize certain information to be included in the circular. The circular will also contain information relating to the continuing connected transactions between the Company and BUCG arising from the amendments to the Existing Non-competition Agreement.

I. 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.

Pursuant to the Existing Non-competition Agreement, BUCG has undertaken that during the term thereof, among other things, 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:

- (1) 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
- (2) 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:

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

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

- (1) planning, survey, design and consultancy businesses, including but not limited to urban rail transit and transportation construction and planning, survey, design and consultancy business of municipal engineering and industrial and civil construction (excluding landscape business);
- (2) Engineering-Procurement-Construction contracting, Procurement-Construction contracting, investments and operation of urban 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

- (3) urban rail transit related proprietary and jointly-owned patented technology transformation businesses (including technology transfer and commercialisation).

Pursuant to the above arrangements under the Existing Non-competition Agreement, if the Company cannot bid for certain projects relating to its core businesses due to its failure to meet the bidding requirements, and by virtue of BUCG's undertaking not to engage in the core businesses of the Company, BUCG cannot bid for such projects even if it is willing to assist the Company in the bidding and then sub-contract the awarded project to the Company on a no profit basis to BUCG. This restriction also applies to situation where the Company and BUCG are to form a consortium, with or without other parties, to provide project financing for a project involving the core businesses of the Company.

II. BACKGROUNDS OF THE AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT

There have been relatively great changes in engineering and construction projects in the PRC in recent years, including urban rail transit construction projects, which are the core business of the Company.

To strengthen the regulation of local government debts and to promote financing of engineering and construction projects through the market, the PRC government has been rigorously promoting the public-private partnership (PPP) model since the second half of 2014. PPP projects are usually larger in scale and have higher financing requirements. As a result, the project financing ability of the tenderers has become one of the key factors considered by a project owner. BUCG is a large integrated wholly state-owned construction enterprise and has a stronger project financing ability. In respect of those PPP projects with higher financing requirements, the Company may not be able to meet such requirements by itself and may therefore lose the chance to bid for such projects. However, leveraging on BUCG's relatively stronger financing ability and background as a large wholly state-owned enterprise, the Company's chance of winning such projects and expanding its business will be greatly enhanced, if it is able to bid for such projects jointly with BUCG.

In addition, with the increasing urbanization and the increase in size of urban rail transit projects in the PRC, more and more urban rail transit engineering and construction projects have specific requirements of the bidders, for example, in terms of their asset size and grading level/qualification level. Bidders who do not meet such requirements are excluded from participating at the bidding stage. For instance, in some provinces, the project owner, which may be the provincial or municipal government or a state-owned entity under the provincial or municipal government, may require the bidder to be an enterprise at the bureau level (正局級), which is higher than the grading level of the Company (being an enterprise at the sub-bureau level (副局級)). Also, some engineering and construction projects may require the bidder to hold an Elite Qualification in General Construction Contracting for Building Construction (房屋建築工程施工總承包特級資質). As the Company holds Class A Qualification in General Construction Contracting for Building Construction (房屋建築工程施工總承包一級資質), which is already very high level qualification, but not as high as the Elite Qualification, the Company is unable to meet such requirement.

In addition, the Company's core businesses also include the provision of design and consultancy services at the preparatory stage or for supervisory work of engineering and construction projects. However, pursuant to Section 35 of the Provisions on Tender and Bidding of Construction Projects (《工程建設項目施工招標投標辦法》), the entity that provides design or consultancy services at the preparatory stage or for supervisory work of a project for tender is not eligible to bid for the project. However, the relevant regulations do not prohibit such enterprise from participating in the engineering and construction work of such project in the capacity as a sub-contractor. Therefore, if the Company provides design or consultancy services at the preparatory stage or for supervisory work of a project, BUCG may bid for such project and, subject to the provisions of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded project to the Company.

Upon the reorganisation of the Company for the purpose of its listing on the Hong Kong Stock Exchange, BUCG transferred its professional qualifications for urban rail transit engineering and construction to the Company. After such transfer, BUCG no longer had the professional qualifications to conduct urban rail transit engineering and construction work. However, with effect from January 2015, no professional qualification is required to participate in the urban rail transit engineering and construction work in the PRC, other than the usual qualifications which are required for construction enterprises. In this regard, subject to the Existing Non-competition Agreement, there are no restrictions limiting BUCG from bidding or bidding with the Company for urban rail transit engineering and construction contracts. However, the Existing Non-competition Agreement restricts the ability of the Company and BUCG from leveraging their respective strengths to cooperate on a project or jointly bid for a project within the Company's core business for the Company's benefits.

The Company and BUCG have agreed to revise the Existing Non-competition Agreement in order to enable BUCG and the Company to cooperate and bid for new projects under certain situations. New business opportunities may come from BUCG or from the Company. Depending on the requirements of a project, the Company or BUCG may initiate the bidding. Terms and forms of cooperation may then be discussed between the Company and BUCG before submitting any tender or bidding. Cooperation may take several forms, including (i) forming a consortium with BUCG, with or without other third party or parties, to bid for an urban rail transit engineering and construction project (whether for project financing or other purposes), and depending on the size of the financing, participation by other financiers and the terms of the project, BUCG may or may not take a leading role in such consortium; (ii) for BUCG to take the initiative to bid for an urban rail transit engineering and construction project as a general contractor and sub-contract part or parts of the awarded project to the Company and other appropriate sub-contractor(s) within the limits specified by the bidding documents and in compliance with the relevant laws and regulations. Haiwen & Partners, the legal advisers of the Company as to the PRC laws, are of the opinion that the above sub-contracting arrangement does not breach the applicable laws and regulations of the PRC.

III. THE SUPPLEMENTAL AGREEMENT TO THE EXISTING NON-COMPETITION AGREEMENT

BUCG and the Company entered into the Supplemental Agreement to the Existing Non-competition Agreement on 29 October 2015. The supplemental agreement is conditional upon the approval of the Independent Shareholders at the EGM.

Compared with the Existing Non-competition Agreement, the Supplemental Agreement to the Existing Non-competition Agreement has added a new provision providing for the co-operations between the Company and BUCG in certain situations as follows:

“Clause 3.8: 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 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.

If any of the above situations arises, the Company shall convene a meeting of the independent non-executive Directors as soon as possible for the independent non-executive Directors to consider the proposed co-operation project with BUCG and the scope and terms of the cooperation. If over three-fourths of the independent non-executive Directors present at the meeting or through written resolution voted for the co-operation with BUCG, BUCG may bid for or participate in such project jointly with the Company in accordance with the approved proposal. In respect of any such co-operation, the Company shall also comply with the disclosure and approval requirements, if applicable, under the Hong Kong Listing Rules.”

Other than the above amendments, the other major terms of the Existing Non-competition Agreement remain unchanged.

IV. REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT TO THE EXISTING NON-COMPETITION AGREEMENT

The Directors (excluding the independent non-executive Directors, whose opinion will be set out in the circular of the EGM) are of the opinion that the Existing Non-competition Agreement, due to the absence of the enabling co-operation provisions, limits the Company’s chance to bid for construction projects in certain situations (please refer to the section headed “Background of the Amendments to the Existing Non-competition Agreement” in this announcement). In particular, it limits the business opportunities of the Company by restricting the Company from bidding for and taking up certain engineering projects on an arm’s length basis jointly with BUCG by leveraging on their respective business strengths and/or resources in certain defined circumstances.

The Supplemental Agreement to the Existing Non-competition Agreement includes provisions which expressly set out the circumstances under which the Company may co-operate with BUCG and stipulates the internal approval procedures of the Company. Any proposed projects for cooperation with BUCG, together with the proposed scope and terms thereof, have to be reviewed by the independent non-executive Directors and approved by over three-fourths of the independent non-executive Directors present at the meeting or through written resolution.

Based on the above factors, the Directors (excluding the independent non-executive Directors, whose opinion will be set out in the circular of the EGM) believe that the Supplemental Agreement to the Existing Non-competition Agreement will help to improve the Company’s position when its ability to bid for certain projects is limited and, through appropriate co-operations with BUCG in defined circumstances, enhance the Company’s competitiveness to bid for, and its chance to win, certain large-scale PPP projects and other projects defined in the Supplemental Agreement to the Existing Non-competition Agreement. This will provide the Company with more opportunities to participate in such engineering and construction projects without having any adverse impact on the Group’s interests.

V. IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, BUCG held 44.87% of the Company's issued shares and is therefore a controlling shareholder and connected person of the Company under the Hong Kong Listing Rules. According to Chapter 14A of the Hong Kong Listing Rules, amending the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing 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 Hong Kong Listing Rules.

Ms. Wang Liping, Mr. Chen Daihua and Mr. Tang Shuchang, all being Directors, are the deputy general manager, the director and general manager, the head of the capital management department and an assistant to the general manager, respectively, of BUCG and are deemed to have material interests in the above transaction. Therefore, the above Directors have abstained from voting on the board resolution approving the above transaction in accordance with the requirements of the Articles of Association and Hong Kong Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zhang Fengchao, Mr. Wang Dexing, Mr. Yim Fung, Mr. Sun Maozhu and Mr. Liang Qinghuai, has been established for the purpose of advising the Independent Shareholders in respect of the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement.

In addition, the continuing connected transactions between the Company and BUCG arising from the amendments to the Existing Non-competition Agreement will be governed by a continuing connected transaction agreement between the Company and BUCG. The Board has authorised the senior management of the Company to estimate the relevant annual caps for the continuing connected transactions for the following three years and will seek approval by the Independent Shareholders of the continuing connected transaction agreement and the proposed annual caps for such transactions at the EGM. In addition, the Independent Financial Adviser will provide its opinions on such continuing connected transactions and the proposed annual caps and the Independent Board Committee, taking into account the recommendation of the Independent Financial Adviser, will advise the Independent Shareholders on the continuing connected transaction agreement and the proposed annual caps.

VI. INFORMATION ABOUT THE PARTIES

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.

BUCG is a wholly state-owned enterprise established as a limited liability company, which is principally engaged in the construction contracting, real estate development and design and consultation businesses.

VII. GENERAL

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement by way of an ordinary resolution.

A circular containing, among other things, (i) details of the Supplemental Agreement to the Existing Non-competition Agreement; (ii) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement; (iii) 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 the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement; and (iv) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 25 November 2015, as the Company needs some time to finalize certain information to be included in the circular. The circular will also contain information relating to the proposed connected transaction agreement and the proposed annual caps for the continuing connected transactions between the Company and BUCG arising from the amendments to the Existing Non-competition Agreement.

As at the date of this announcement, BUCG, being the controlling shareholder of the Company, is deemed to have material interests in the Supplemental Agreement to the Existing Non-competition Agreement. BUCG and its associates shall, therefore, abstain from voting on the resolution in relation to the Supplemental Agreement to the Existing Non-competition Agreement at the EGM.

VIII. DEFINITIONS

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

“Articles of Association”	the Articles of Association of the Company, as amended, modified or supplemented from time to time
“associate(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company

“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), a controlling shareholder of the Company holding 44.87% 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 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
“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 Renminbi and which are currently not listed or traded on any stock exchange
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among others, the resolution in relation to the amendments to the Existing Non-competition Agreement
“Existing Non-competition Agreement”	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
“Group”	the Company and its subsidiaries
“Hong Kong”	the 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
“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

“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Zhang Fengchao, Mr. Wang Dexing, Mr. Yim Fung, Mr. Sun Maozhu and Mr. Liang Qinghuai, which has been established by the Company for the purpose of advising the Independent Shareholders in respect of the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement
“Independent Shareholders”	Shareholders other than those required by the Hong Kong Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the amendments to the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, shall exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Share(s)”	H Share(s) and Domestic Share(s) of the Company
“Shareholder(s)”	holders of the Shares of the Company
“subsidiary(ies)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules

“Supplemental Agreement I to the Non-competition Agreement”	the supplemental agreement entered into by BUCG and the Company on 16 June 2014 to amend the non-competition agreement entered into by BUCG and the Company on 24 January 2014
“Supplemental Agreement to the Existing Non-competition Agreement”	the second supplemental agreement to the Existing Non-competition Agreement entered into by BUCG and the Company on 29 October 2015 to amend the Existing Non-competition Agreement

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

Beijing, 29 October 2015

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 Wang Liping, Chen Daihua, Wang Hao, Zhang Jie, Su Bin, Kong Lingbin and Tang Shuchang; and the independent non-executive directors of the Company are Zhang Fengchao, Wang Dexing, Yim Fung, Sun Maozhu and Liang Qinghuai.