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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**

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

Reference is made to the prospectus of the Company dated 25 June 2014, which contains, among others, information in relation to the continuing connected transactions entered into between the Company and BUCG, its subsidiaries and/or associates under (i) the Integrated Services Framework Agreement; and (ii) the Property and Land Leasing Framework Agreement.

References are also made to the announcement and circular of the Company dated 9 December 2015 and 11 December 2015, respectively, which contain, among others, information in relation to the Supplemental Agreement to the Integrated Services Framework Agreement entered into between the Company and BUCG on 9 December 2015 and the revised annual cap for the revenue to be received by the Group under the Integrated Services Framework Agreement for the year ending 31 December 2016.

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

As the term of the Integrated Services Framework Agreement as well as the annual caps, including the revised revenue annual cap for 2016, for the continuing connected transactions thereunder are due to expire by the end of December 2016, subject to the approval by the Independent Shareholders at the extraordinary general meeting to be convened, the Company proposes to renew the agreement with BUCG for a further term of three years commencing from 1 January 2017 and ending on 31 December 2019, 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 2019.

Further, as the relevant annual caps for the continuing connected transactions under the Property and Land Leasing Framework Agreement are due to expire by the end of December 2016, the Board has resolved to set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2019.

## **HONG KONG LISTING RULES IMPLICATIONS**

BUCG is the controlling Shareholder of the Company directly and indirectly holding an aggregate of 44.87% interest in the Company as at the date of this announcement. Accordingly, BUCG, its subsidiaries and associates are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules and the transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement proposed to be renewed and the Property and Land Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the proposed annual caps for the continuing connected transactions contemplated under the Integrated Services Framework Agreement proposed to be renewed exceeds 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 of the applicable percentage ratios in respect of the proposed annual caps for the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement for the three years ending 31 December 2019 is 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 renewal of the Integrated Services Framework Agreement and the proposed annual caps for the continuing connected transactions, both revenue and expenditure, contemplated thereunder for the three financial years ending 31 December 2019. 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 financial years ending 31 December 2019. An independent financial adviser has also been appointed 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 financial years ending 31 December 2019; (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 to the Shareholders before 31 January 2017.

## **I. INTRODUCTION**

Reference is made to the prospectus of the Company dated 25 June 2014, which contains, among others, information in relation to the continuing connected transactions entered into between the Company and BUCG, its subsidiaries and/or associates under (i) the Integrated Services Framework Agreement; and (ii) the Property and Land Leasing Framework Agreement.

References are also made to the announcement and circular of the Company dated 9 December 2015 and 11 December 2015, respectively, which contain, among others, information in relation to the Supplemental Agreement to the Integrated Services Framework Agreement entered into between the Company and BUCG on 9 December 2015 and the revised annual cap for the revenue to be received by the Group under the Integrated Services Framework Agreement for the year ending 31 December 2016.

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

### **1. Background**

As disclosed in the prospectus of the Company, the Group has been, in the ordinary and usual course of its businesses, entering into continuing transactions with BUCG, its subsidiaries and/or associates including mutual provision of integrated services. To comply with the requirements of the Hong Kong Listing Rules, the Company entered into the Integrated Services Framework Agreement for a term of approximately two years and six months commencing from 18 June 2014 and ending on 31 December 2016 with BUCG on 18 June 2014 and set annual caps for the continuing connected transactions thereunder for the three financial years ending 31 December 2016.

#### ***1.1 The Integrated Services Agreement***

Pursuant to the Integrated Services Framework Agreement, it was agreed between BUCG and the Group that:

- (i) BUCG, its subsidiaries and/or associates provide engineering construction related services, including but not limited to provision of labour, supply of raw materials, equipment leasing as well as training services and other services to the Group; and
- (ii) the Group provides services relating to construction design, survey and consultancy, including but not limited to measurement, test, inspection of construction drawings, as well as training services and other services to BUCG, its subsidiaries and/or associates.

#### ***1.2 The Supplemental Agreement to the Integrated Services Agreement***

Pursuant to the Non-competition Agreement and its supplemental agreement, the Company was restricted from requesting BUCG to assist the Company in bidding engineering and construction projects, including formation of a consortium with BUCG for bidding or provision of financing. In order to enable BUCG and the Company to cooperate and bid for new projects under specific circumstances, BUCG and the Company entered into the Supplemental Agreement II to the Non-competition Agreement on 29 October 2015 to specify three specific circumstances under which BUCG may cooperate and bid new projects for the Company.

On 9 December 2015, BUCG and the Company entered into the Supplemental Agreement to the Integrated Services Framework Agreement to expand the scope of the services to be provided by the Group to BUCG, its subsidiaries and/or associates to include “project sub-contracting and/or specialized services, including but not limited to project management and equipment leasing”, pursuant to Situations (2) and (3) referred to in the Supplemental Agreement II to the Non-competition Agreement. For details of the circumstances where BUCG and the Company may cooperate and bid for new projects under Situations (2) and (3), please refer to the circular of the Company dated 11 December 2015.

In addition, in anticipation of the increased revenue consequential upon the increased cooperation between BUCG and the Company and the number of new projects bid by BUCG for the Company under the Supplemental Agreement to the Integrated Services Framework Agreement, the Company also revised the annual cap for the revenue to be received by the Group under the Integrated Services Framework Agreement for the year ending 31 December 2016 from RMB36 million to RMB286 million.

### ***1.3 Update on the projects involving continuing provisions of integrated services***

#### ***1.3.1 Urban rail transit – Industry information and development***

According to the “Three Year Action Plan of the Construction of Material Transportation Infrastructure Project” jointly issued by the NDRC and the Ministry of Transportation in May 2016, the total length of new urban rail transit in the PRC is expected to reach 2,385 kilometers involving 103 rail transit projects with a total investment of RMB1.6 trillion in the future. Among which, the scale of construction and investment is expected to reach the peak in 2016 and 2017. The planned length of new rail transit construction in 2016 is approximately 1,274 kilometers, representing an increase of 170% as compared to 2015. The newly added length in 2016 almost equals to the aggregate of the newly added length of the past four years. According to the statistics of NDRC, 43 urban rail transit construction plans have been approved, with a total planned length of approximately 8,600 kilometers and total investment amount of more than RMB5 trillion on the basis of an investment amount of approximately RMB600 million to RMB800 million per kilometer. Due to the large scale of the investment amount in rail transit, PPP mode which introduces private capital is an effective mode to

participate in rail transit construction. Among the three batches of PPP projects publicly introduced by NDRC, there are 57 urban rail transit PPP projects, with a total investment amount of approximately RMB1.01 trillion, among which, rail transit projects in Beijing amount to approximately RMB279.4 billion and those in Tianjin amount to approximately RMB132.8 billion.

The construction of rail transit has made important contributions to investment promotions, structural adjustments and steady growth and has become an important macro control tool. Following development and increasing demands of the society, the demands for urban rail transit are constantly growing. Urban rail transit can promote the development of local GDP, stimulate sales of the real estate surrounding the urban rail transit system and industry developments, which have gained the favor of the local governments.

*1.3.2 Bidding by BUCG for the Company – No. 1 contractual section of the Phase I of civil construction of Light Rail Transit project in Astana City, Kazakhstan*

As disclosed in the Company's 2016 Interim Report, the Company won the Astana Light Rail Design Project for the construction design of the Light Rail Transit project in Astana City, Kazakhstan. On 21 June 2016, pursuant to Situation (3) provided in the Supplemental Agreement II to the Non-competition Agreement, BUCG successfully bid for and entered into the construction contract with the project owner in relation to the No. 1 contractual section of the Phase I of civil construction of Light Rail Transit project in Astana City, Kazakhstan (the "**Kazakhstan Project**"). Pursuant to the terms of the Supplemental Agreement II to the Non-competition Agreement, the Kazakhstan Project shall be sub-contracted to the Group on a no profit basis to BUCG or BUCG and the Company shall enter into such other ways of cooperation on a no profit basis to BUCG. Accordingly, after negotiations between the Company and BUCG, it is proposed that BUCG shall enter into an entrustment management and

operation contract with the Company in relation to the Kazakhstan Project, the draft principle terms of which are summarized as follows:

<b>Parties</b>	The Company BUCG
<b>Project Overview</b>	The Kazakhstan Project starts from the international airport in the southern suburbs to the new railway station in the north in Astana City, Kazakhstan. The total length of the Kazakhstan Project is 21.718 kilometers and it will include 18 stops and one depot.
<b>Work Scope</b>	Civil construction (architectural engineering, structural engineering, station square), installation (communication manholes outside the station, integrated grounding and lightning protection, reservation of holes for equipment, embedding and concrete pouring of equipment), water supply and drainage and fire fighting system and other works.
<b>Construction Period</b>	The Company shall ensure that it will start to work as required on receipt of the supervisor's notice of commencement and complete the construction in 627 calendar days.
<b>Contract Price</b>	<p>RMB3,058 million, which includes all the costs of operation and performance management the Company shall bear, under the authorization of BUCG, in the whole project process of Kazakhstan Project.</p> <p>In accordance with relevant provisions specified in the construction contract between BUCG and the project owner in relation to the Kazakhstan Project, change and delay during the execution of the project and other agreed situations, the contract price of the agreement shall be adjusted provided that the project owner confirms such adjustment.</p>



**Rights and  
Obligations**

BUCG shall be responsible for coordinating the relationship with the project owner and delivering project owner's orders, letters and opinions in relation to performance of the project contract. BUCG shall authorize the Company, as the entrusted operation and management party, to fully undertake the rights and obligations of performance, construction and management during the whole project process of the Kazakhstan Project.

The Company shall, strictly in compliance with the construction contract between BUCG and the project owner in relation to the Kazakhstan Project, fulfill all management responsibilities and the overall organization of the project construction, set the general target of quality, progress and investment and formulate specific work plan, and implement accordingly.

The Company shall be fully responsible for the suitability, stability and security of the construction organization design and construction management plan on site, and organize and manage the construction strictly in accordance with such plan.

The Company shall fulfill the responsibilities as the general entrusted operator and manager on the construction site in this contractual section, and carry out management work accordingly.

**Termination**

This agreement will be terminated when both parties fulfill their contractual obligations and complete the work as agreed.



*1.3.3 Major contracts obtained in 2015 and 2016 involving provisions of integrated services by BUCG, its subsidiaries and/or associates to the Group*

As disclosed in the 2015 Annual Report and 2016 Interim Report of the Company, the Company has successfully won a number of urban transit construction projects in China, which require provisions of integrated services by BUCG, its subsidiaries and/or associates to the Company under the Integrated Services Agreement. Among these projects, the major projects include:

(a) **Anqing Outer Ring North Road PPP Project (“Anqing PPP Project”)**

On 4 May 2015, the Company was awarded the PPP project of Outer Ring North Road located in north and east of Anqing with a total construction investment amount of RMB1,976 million. The total length of the road is approximately 14.93 kilometers with a designed speed of 60 km/h. The Company holds 88% interest in the project company established for the purpose of the project with the remaining 12% being invested by the entity established by the local government. The cooperation period for the project is 13 years, including a construction period of no more than two years. The Company was awarded the general construction contract for the project by the project company.

(b) **The Civil Construction Project of No. 3 Contractual Section of Eastward Extension of Beijing Subway Line No. 7 (“Section 3 of Subway Line No. 7”)**

On 11 December 2015, the Company was awarded the Civil Construction Project of No. 3 Contractual Section of Eastward Extension of Beijing Subway Line No. 7. The contract sum of the project amounts to approximately RMB800.2 million with a contractual period from January 2016 to September 2019.

- (c) PPP Project of Airport Avenue Mid-Section (Wenlin Road-North Airport Highway) in the New District of Central Yunnan (“**Yunnan North Airport Highway PPP Project**”)

On 13 July 2016, the Company was awarded the PPP project of Airport Avenue mid-section (Wenlin Road-North Airport Highway) in the New District of Central Yunnan with an estimated construction investment amount of RMB2,860 million. The total length of the project is 9.36 kilometers with a designed speed of 60 km/h for the main road and 30 km/h for the side road. The Company is to contribute 90% to 97% of the capital in the project company, with the local government representative entity contributing 3% to 10%. The cooperation period is 12.5 years to 16.5 years, including a construction period of no more than 1.5 years. The Company was awarded the general construction contract for the project by the project company.

- (d) Zunyi Fengxin Expressway PPP Project (“**Zunyi Expressway PPP Project**”)

On 31 October 2016, the Company was awarded the PPP project of Fengxin Express in Zunyi with a total construction investment amount of RMB1,805 million. The total length of the project is 2.1 kilometers. The local government representative entity and the Company are to form a project company, with a registered capital of not lower than RMB360 million, among which, 75% is to be contributed by the Company and 25% is to be contributed by the local government representative entity. The cooperation period is for 12 years, including a construction period of no more than two years. The Company was awarded the general construction contract for the project by the project company.

- (e) The Kazakhstan Project

The Kazakhstan Project referred to in paragraph 1.3.2 above would also involve the provisions of integrated services by BUCG, its subsidiaries and associates to the Group.

### *1.3.4 Other potential new (expenditure) projects*

#### **The PPP Project of the Beijing New Airport Express (the “Beijing New Airport Express Project”)**

Recently, the consortium in which BUCG was one of the members was awarded the PPP Project of the Beijing New Airport Express. The total investment of the project amounts to approximately RMB14,994 million with a planned construction period of around 35 months. Pursuant to the Supplemental Agreement II to the Non-competition Agreement, BUCG will assist the Company to directly obtain construction work from the project company, which if obtained, would require the provision of integrated services by BUCG, its subsidiaries and associates to the Group.

## **2. The Proposed Renewal to the Integrated Services Framework Agreement**

As the term of the Integrated Services Framework Agreement as well as the annual caps, including the revised annual cap, for the continuing connected transactions thereunder will expire on 31 December 2016, and subject to the approval by the Independent Shareholders at the extraordinary general meeting to be convened, the Company proposes to renew the Integrated Services Framework agreement with BUCG for a further term of three years commencing from 1 January 2017 and ending on 31 December 2019 on the same terms and conditions, the principle terms of which are summarized as follows:

<b>Parties</b>	The Company BUCG
<b>Term of the Agreement</b>	Subject to the approval by the Independent Shareholders at the extraordinary general meeting to be convened, the Integrated Services Framework Agreement is proposed to be renewed for a term of three years from 1 January 2017 to 31 December 2019.

**Principle 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 not limited to engineering construction related services, including but not limited to provision of labour, supply of raw materials, 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 not limited to: (i) services relating to construction survey, design and consultancy, 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 business; and (ii) project sub-contracting and/or specialised services, including but not limited to project management and equipment leasing services, etc., pursuant to Situations (2) and (3) 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 below paragraph (e)). 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.

- (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 contract 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 no profit basis to BUCG.

### **Pricing Policy**

Pursuant to the Integrated Services Framework Agreement proposed to be renewed, either party shall provide services to the other party at a price determined under the following pricing principles:

- (a) Price prescribed by the government if available;  
or
- (b) Where there is no government-prescribed price, then the government-guided price (if available) taking into account market factors; or
- (c) Where there is neither government-prescribed price nor government-guided price, then the price determined through tender process or other available market price. The “market price” shall be determined in the following order: (1) the price charged by independent third parties who offer the same type of services under normal commercial terms in the ordinary and usual course of business at or near the area where such services are provided with reference to at least

two independent third parties who provide the same or similar type of services under same conditions; or (2) where (1) is inapplicable, the price charged by independent third party(ies) who offer the same type of services under normal commercial terms in the ordinary and usual course of business in the PRC with reference to at least two independent third parties who provide the same or similar type of services under same conditions; or

- (d) Where none of the above is available or where none of the above transaction rules is applicable in the actual transaction, then the contractual price. The “contractual price” shall be determined on the basis of “reasonable cost + reasonable profit”. Among which, the “reasonable cost” means the cost confirmed by both parties after negotiations and as permitted by the relevant accounting principles of the PRC (inclusive of sales tax and surcharges); and “reasonable profit” means the profit calculated based on reasonable costs under market practice.
- (e) The price of the relevant project sub-contracting arrangements and/or specialised services, if required, to be provided by the Group to BUCG, pursuant to Situations (2) and (3) set out in the Supplemental Agreement II to the Non-competition Agreement, shall be determined as follows:
  - (i) the price of the sub-contracting arrangements shall be the contractual price attributable to part or parts of the awarded contract subcontracted to the Group on a no profit basis to BUCG under the contract awarded to BUCG in Situations (2) and (3) as set out in the Supplemental Agreement II to the Non-competition Agreement; and/or

- (ii) The price of the specialised services shall be the contractual price of the contract awarded to BUCG or, if applicable, the contractual price attributable to the remaining part of the awarded contract, after deducting the price of the part subcontracted to third parties and the above-mentioned price of the subcontracting arrangements (on a no profit basis to 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 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.



### 3. Proposed Annual Caps for the Financial Years Ending 31 December 2019

#### 3.1 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 financial years ended 31 December 2015 and the nine months ended 30 September 2016:

	Approximate historical transaction amounts for the financial years/ nine-month period ended		
	31 December 2014 (RMB million)	31 December 2015 (RMB million)	30 September 2016 (RMB million)
Revenue generated by the Group from providing integrated services to BUCG, its subsidiaries and/or associates	17.94	28.25	33.13
Expenditure incurred by the Group for provision of integrated services by BUCG, its subsidiaries and/or associates	31.19	103.61	97.35

#### 3.2 Proposed annual caps for the three financial years ending 31 December 2019

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 financial years ending 31 December 2019 as follows:

	Proposed annual caps for the financial year ending		
	31 December 2017 (RMB million)	31 December 2018 (RMB million)	31 December 2019 (RMB million)
Revenue to be generated by the Group from providing integrated services to BUCG, its subsidiaries and/or associates	1,456	1,820	2,002
Expenditure to be incurred by the Group for provision of integrated services by BUCG, its subsidiaries and/or associates	940	1,128	1,354

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

#### **3.3.1 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) **The revenue from the Kazakhstan Project:** BUCG successfully bid for the Company and entered into the construction contract with the project owner in June 2016 pursuant to Situation (3) of the Supplemental Agreement II to the Non-competition Agreement. BUCG has to enter into the proposed entrustment management and operation contract with the Company for the performance by the Company of the construction contract with no profit to BUCG. Please refer to paragraph 1.3.2 for more information relating to the Kazakhstan Project and the proposed major terms of the entrustment management and operation contract to be entered into by BUCG and the Company. The construction contract of the Kazakhstan Project is for a contract sum of approximately RMB3,058 million with a construction period of 627 calendar days. It is estimated that approximately 70% to 90% of the construction work would be carried out in 2017 and 2018, with completion work to be carried out in 2019. It is expected that revenue from the Kazakhstan Project would be approximately RMB1,281.0 million and RMB1,311.5 million for the first two years ending 31 December 2018, respectively, and approximately RMB457.5 million by the end of 2019.
- (b) **Other potential new urban rail transit projects in Beijing and other cities of China:** The Company expects that in the next three years, and pursuant to Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement, the Company would require the assistance by BUCG to cooperate or bid for new urban transit projects in Beijing and other cities of China and which, if awarded to BUCG, should be sub-contracted to the Group by BUCG or enter into such other means of cooperation with the Company on a no profit basis to BUCG. When estimating

the amount of such potential projects, the Company has taken into account a potential PPP project in Anhui Province with a sub-contract value (of the part obtained by BUCG on the Company's behalf) of approximately RMB511.0 million or, if successfully obtained, an estimated revenue of approximately RMB171.0 million and RMB340.0 million for the two financial years ending 31 December 2018 and 31 December 2019, respectively. The Company has also included a total contract sum of approximately RMB550.0 million or approximately RMB150.0 million, RMB200.0 million and RMB200.0 million for the three financial years ending 31 December 2019, respectively, for other projects which BUCG, pursuant to the Supplemental Agreement II to the Non-competition Agreement, may assist the Company in obtaining the contract or cooperate with the Company.

(c) **Design, survey and consultancy services to be provided by the Company to BUCG, its subsidiaries and associates:**

The Company expects that the revenue from such services would increase with the continued growth in business of the Company as well as expansion of the business of BUCG. For the past several years since 2013, revenue from the provision of design, survey and consultancy service to BUCG, its subsidiaries and associates was between RMB8.0 million to RMB22.0 million, but revenue for the provision of such services is expected to increase to approximately RMB25.0 million, RMB30.0 million and RMB35.0 million for the three financial years ending 31 December 2019, respectively.

(d) **Other potential projects:** As referred to in paragraphs 1.3.1 and 3.3.2(e), investments by the PRC government, both the central and local governments, in urban infrastructure are expected to continue in the near future. Given the size of most PPP projects and specific requirements in relation to the bidders, the Company expects that assistance from BUCG would continue 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 25% increase for the financial year ending 31 December 2018 based on the estimated annual cap for the year ending 31 December 2017 and a 10% increase for the financial year ending 31 December 2019 based on the estimated annual cap for the year ending 31 December 2018 in its estimate of the annual caps of revenue from BUCG, its subsidiaries and associates.

### 3.3.2 Expenditure

When estimating the annual caps for the expenditure to be incurred 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 2016. 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 the Anqing PPP Project, the Section 3 of Beijing Subway Line No. 7, the Zunyi Expressway PPP Project and the Yunnan North Airport Highway PPP Project. For details of these major projects, please refer to paragraph 1.3.3(a) to (d) above. The Company estimates that the expenditures incurred by all the projects, including the major projects referred to above, which have already been obtained by the Group, for the six months ending 31 December 2016 are RMB125.0 million, and the expenditures to be incurred for the three financial years ending 31 December 2019 are RMB483.0 million, RMB271.1 million and RMB180.0 million, respectively.
- (b) **The expenditures expected to be incurred in the next three years for the Kazakhstan Project:** BUCG, its subsidiaries and/or associates would provide integrated services to the Group in connection with the construction work of the Kazakhstan Project. The Company expects that the expenditures to be incurred for such integrated services would be approximately RMB256.2 million, RMB262.3 million and RMB91.5 million for the three financial years ending 31 December 2019, respectively. For further information relating to the Kazakhstan Project, please refer to paragraph 1.3.2 above.

- (c) **The expenditures expected to be incurred in the next three years for the Beijing New Airport Express Project:** As referred to in paragraph 1.3.4 above, if the Company is able to directly obtain construction work from the project company of the Beijing New Airport Express Project, the project would require the provision of integrated services by BUCG, its subsidiaries and associates to the Group. The Company expects that the expenditures to be incurred for the provisions of integrated services by BUCG, its subsidiaries and associates to the Group would be approximately RMB200.0 million per year for the three financial years ending 31 December 2019.
- (d) **The expenditures to be incurred for potential 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 public known and which the Company would bid for and may obtain in the near future. For these projects, BUCG, its subsidiaries and 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 five to six projects in the next three financial years. These potential upcoming projects include the potential PPP project in Anhui province (as referred to in paragraph 3.3.1(b) above), two to three modern tram line PPP projects in Beijing, a modern tram line EPC project in Guangdong Province, and a civil construction project of rail transit in Henan Province, with an estimated aggregate construction amount over RMB20,000 million, or an aggregate expenditures of approximately RMB172.4 million and RMB588.9 million for the two financial years ending 31 December 2019 for the integrated services to be provided by BUCG, its subsidiaries and associates to the Group.

- (e) **Other potential urban transit projects in the next three financial years:** As stated in the Company's 2015 annual report and in paragraph 1.3.1 above, with the start of the new normal of the Chinese economy, the Chinese economic development is in a stage of profound adjustments through transformation and upgrading. Strengthened investments in urban infrastructure by the Chinese government and the promulgation of policies that encourage participation by private funds have provided new stimuli in the development of the urban transit industry. 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 20% on the estimated expenditures for each of the year of 2018 and 2019 based on the estimated annual cap for the previous year so as to accommodate further projects which the Group may successfully obtain during the two years ending 31 December 2019 and which would require the integrated services of BUCG, its subsidiaries and associates.

### ***3.4 Internal control measures***

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

The Company has formulated relevant Administrative Measures on Connected Transactions, in accordance with supervisory requirements of 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 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 in responsible for inspecting and supervising the control on connected transactions of the Company, as well as the execution of control system of connected transactions by the Directors, senior management and connected persons of the Company.
- (d) In addition, the independent non-executive Directors have reviewed 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 are carried out pursuant to the terms of such agreement. The auditors of the Company would also conduct an annual review on the pricing terms and annual caps of such continuing connected transactions.



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

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

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

The Directors (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, both revenue and expenditure, contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### III. THE PROPERTY AND LAND LEASING FRAMEWORK AGREEMENT

#### 1. Background

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 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, and set the annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2016.

Since the above-mentioned annual caps under the Property and Land Leasing Framework Agreement will expire by 31 December 2016, in accordance with the relevant requirements of the Hong Kong Listing Rules, the Board has resolved to set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2019.

#### 2. Property and Land Leasing Framework Agreement

Details of the Property and Land Leasing Framework Agreement are summarized as follows:

<b>Date</b>	8 June 2014
<b>Parties</b>	The Company BUCG
<b>Term of the Agreement</b>	The Property and Land Leasing Framework Agreement is for a term of ten years commencing from 18 June 2014 and expiring on 17 June 2024.

## **Principle Terms and Conditions**

Pursuant to the 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; and
  - (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.

- (b) As agreed by the parties, other than the Leased Properties listed above, during the term of the 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 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 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 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 every three years during the term of the 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 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 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 Property and Land Leasing Framework Agreement.

**Implementation  
Agreements**

During the term of the Property and Land Leasing Framework Agreement, members of the Group and BUCG, its subsidiaries 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 Property and Land Leasing Framework Agreement.

**3. Proposed Annual Caps for the Three Financial Years Ending 31 December 2019**

**3.1 Historical transaction amounts**

Set out below is 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 Property and Land Leasing Framework Agreement for the preceding two financial years ended 31 December 2015 and the nine months ended 30 September 2016:

	<b>Approximate historical transaction amounts for the financial years/nine-month period ended</b>		
	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>30 September 2016</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	14.19	13.62	10.21

### **3.2 *Proposed annual caps for the three financial years ending 31 December 2019***

The Company estimates the annual caps for the continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Property and Land Leasing Framework Agreement for the next three financial years ending 31 December 2019 as follows:

<b>Proposed annual caps for the three financial years ending</b>			
<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2019</b>	
<i>(RMB million) (RMB million) (RMB million)</i>			
Expenditure to be incurred by the Group for leasing properties and land from BUCG, its subsidiaries and/or associates	18	18	21

### **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 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 2.95% in the past three years from approximately RMB305 per sq.m. per month to approximately RMB323 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; and



- (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 year of 2018 and 2019 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 two years.

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Property and Land Leasing Framework Agreement and the proposed annual caps for the three years ending 31 December 2019 are 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 is the controlling Shareholder of the Company directly and indirectly holding an aggregate of 44.87% interest in the Company as at the date of this announcement. Accordingly, BUCG, its subsidiaries and associates are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules and the transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement proposed to be renewed and the Property and Land Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the proposed annual caps for the continuing connected transactions, both revenue and expenditure, contemplated under the Integrated Services Framework Agreement proposed to be renewed exceeds 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 of the applicable percentage ratios in respect of the proposed annual caps for the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement for the three years ending 31 December 2019 is 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.

The following Directors, being Ms. Wang Liping, Mr. Chen Daihua, Ms. Guo Yanhong and Mr. Tang Shuchang, are the deputy general manager, the chairman, the director and the general manager and the head of the capital management department and an assistant to the general manager, respectively, of BUCG. Therefore, 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 resolution 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 resolution 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 established as a limited liability company, which is principally engaged in the construction contracting, real estate development and design and consultation businesses.

## **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, both revenue and expenditure, contemplated thereunder for the three financial years ending 31 December 2019. 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 financial years ending 31 December 2019. 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 financial years ending 31 December 2019; (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 to the Shareholders in due course.

## VII. DEFINITIONS

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

<b>“associate(s)”</b>	shall have the meaning ascribed to it under the Hong Kong Listing Rules
<b>“Board”</b>	the board of directors of the Company
<b>“BUCG”</b>	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 44.87% interest in the Company and a wholly state-owned enterprise under the Beijing Municipal Government
<b>“Company”</b>	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)
<b>“connected person(s)”</b>	shall have the meaning ascribed to it under the Hong Kong Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company
<b>“EPC”</b>	engineering, procurement, and construction
<b>“GDP”</b>	gross domestic product
<b>“GFA”</b>	gross floor area
<b>“Group”</b>	the Company and its subsidiaries

<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the PRC
<b>“Hong Kong Listing Rules”</b>	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Independent Board Committee”</b>	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 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 financing years ending 31 December 2019
<b>“Independent Shareholders”</b>	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
<b>“Integrated Services Framework Agreement”</b>	the Integrated Services Framework Agreement entered into between the Company and BUCG on 18 June 2014, which is for a term commencing from 18 June 2014 and expiring on 31 December 2016

<b>“Leased Properties”</b>	the properties and land leased by BUCG, its subsidiaries and/or associates to the Group exclusively for office and operation uses under the Property and Land Leasing Framework Agreement including three properties occupying a total GFA of approximately 13,356 sq.m. and relevant land occupying a total site area of approximately 11,360 sq.m., which are located in Beijing, the PRC
<b>“NDRC”</b>	the Natural Development and Reform Commission of the PRC
<b>“Non-competition Agreement”</b>	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 the parties on 16 June 2014
<b>“PPP”</b>	“Public-Private-Partnership” mode
<b>“PRC” or “China”</b>	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
<b>“Shareholder(s)”</b>	holders of the Shares of the Company
<b>“sq.m.”</b>	square meter
<b>“subsidiary(ies)”</b>	shall have the meaning ascribed to it under the Hong Kong Listing Rules
<b>“Supplemental Agreement to the Integrated Services Framework Agreement”</b>	the supplemental agreement entered into between the Company and BUCG on 9 December 2015 to expand the scope of the Integrated Services Framework Agreement, so as to include the new continuing connected transactions between the parties resulting from the amendments to the Non-competition Agreement

**“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 by BUCG and the Company on 24 January 2014 as amended by the first supplemental agreement on 16 June 2014

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

Beijing, 8 December 2016

*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, Guo Yanhong, Guan Jifa, 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.*