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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)

ANNOUNCEMENT
PROPOSED IMPLEMENTATION OF
KEY EMPLOYEE STOCK OWNERSHIP SCHEME BY WAY OF
NON-PUBLIC ISSUANCE OF DOMESTIC SHARES

BACKGROUND

The Company is pleased to announce that, in order to establish a long-term incentive-based and restraint mechanism enabling the Employees and Shareholders to share their interests, risks and responsibilities as well as setting up businesses together, to maintain the stability of our team of key talents, and to strengthen the unity among Employees and increase the competitiveness of the Company, so as to further optimize the shareholding structure and the governance mechanism of the Company, which in turn will promote the long-term development of the Company, the Board proposed to implement the Key Employee Stock Ownership Scheme of the Company by way of the Non-public Issuance of domestic shares.

The aggregate domestic shares to be issued under the Non-public Issuance pursuant to the Key Employee Stock Ownership Scheme will be no more than 6% of the existing issued share capital of the Company, i.e. no more than 76,000,000 shares. Participants of the Key Employee Stock Ownership Scheme shall be key Employees who hold important positions in the Company and have direct or rather substantial influence on the operating results and sustainable development of the Company, including but not limited to the directors (excluding those who are not employed by the Company), senior management, researchers, operating management members and other business backbones of the Company. For the purpose of the Key Employee Stock Ownership Scheme, the Holders will establish a general partnership enterprise to hold the domestic shares under the Non-public Issuance.

LISTING RULES IMPLICATIONS

It is anticipated that the Holders will include certain connected persons of the Company. Therefore, the Non-public Issuance of domestic shares may constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules, or subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Upon confirmation of the contents of the Key Employee Stock Ownership Scheme and the Non-public Issuance of domestic shares, the Company will publish relevant announcement(s) and circular(s) separately as required by the Listing Rules.

Pursuant to Rule 19A.38 of the Listing Rule and the Articles of Association, the implementation of the proposed Key Employee Stock Ownership Scheme by way of the Non-public Issuance of domestic shares shall be subject to the approval of domestic Shareholders and H Shareholders by way of special resolutions at respective class general meetings. The Company will hold the extraordinary general meeting, domestic share class general meeting and H share class general meeting to consider and approve at its discretion the resolution in relation to the implementation of Key Employee Stock Ownership Scheme by way of the Non-public Issuance of domestic shares.

The Company will establish the independent directors committee in order to advise independent Shareholders on the resolution in respect of the implementation of the Key Employee Stock Ownership Scheme by way of the Non-public Issuance of domestic shares. The Company will also appoint an independent financial adviser to make recommendation to the independent directors committee and independent Shareholders.

The Key Employee Stock Ownership Scheme is not a share option scheme and shall not be subject to the requirements under Chapter 17 of the Listing Rules.

The Key Employee Stock Ownership Scheme shall be subject to the fulfillment of certain conditions, and accordingly, the Key Employee Stock Ownership Scheme may or may not proceed. Shareholders and potential investors of the Company are advised to pay attention to investment risks and exercise in caution when dealing in the shares of the Company.

BACKGROUND

In order to establish a long-term incentive-based and restraint mechanism enabling the Employees and Shareholders to share their interests, risks and responsibilities as well as setting up businesses together, to maintain the stability of our team of key talents, and to strengthen the unity among Employees and increase the competitiveness of the Company, so as to further optimize the shareholding structure and the governance mechanism of the Company, which in turn will promote the long-term development of the Company, the Company formulated the Key Employee Stock Ownership Scheme of the Company (Draft) pursuant to relevant requirements of the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, depending on the actual condition of the Company.

SUBJECT MATTERS OF THE KEY EMPLOYEE STOCK OWNERSHIP SCHEME AND THE NON-PUBLIC ISSUANCE

1. Participants

The Company set out the following standards for Participants of the Key Employee Stock Ownership Scheme:

1. Participants shall be key Employees of the Company who hold key positions in the Company and have direct or rather substantial influence on the operating results and sustainable development of the Company, including but not limited to the directors of the Company (excluding those who are not employed the Company), senior management, researchers, operating management members and other business backbones with total number of not more than 190;
2. Participants shall be current Employees who signed the official employment contract with the Company or the subsidiaries of the Company and are not over the statutory retirement age as at the date of this announcement (except for academicians);
3. Participants shall rank above the position of a deputy director in a professional institution, or above the position of the deputy level in a functional department of the Company, or hold above the senior title of professional position or registered professional qualifications corresponding to the professional titles of the Company;
4. If the candidates for the Participants have more than one direct relatives who currently hold office in the Company and subsidiaries of the Company, only one of them is entitled to become the Participant; and
5. The final number of the Participants and the amount subscribed through position-based method are determined by the actual payment.

2. Sources of Funds

The source of funds for the Holders to subscribe for domestic shares under the Non-public Issuance is mainly derived from the legitimate salary of the Holders and through funds raised in other manners as permitted by the laws. After the Key Employee Stock Ownership Scheme is approved by Beijing SASAC and relevant regulatory authorities, the Holders shall make full payment for the subscription according to the notice of the Company and sign the subscription agreement to confirm their subscription intentions. Holders who have undertaken to participate in the Key Employee Stock Ownership Scheme but failed to make full payment for the subscription in a timely manner, will be disqualified for participating in the Key Employee Stock Ownership Scheme.

3. Source of Shares

The source of shares under the Key Employee Stock Ownership Scheme are domestic shares under the Non-public Issuance with the nominal value of RMB1.00 per share.

The Company shall not bestow the domestic shares under the Non-public Issuance on Employees at nil consideration and shall not breach relevant requirements under laws and regulations through conversion of the domestic shares under the Non-public Issuance at a lower price. The Holders shall not hold equity interests in enterprises which the Company invested in, associated corporations and enterprises in which the same type of business is operated by the Company.

The Non-public Issuance will be carried out in accordance with the special mandate. The special mandate is subject to consideration and approval by independent Shareholders of the Company at the extraordinary general meeting as well as the domestic share class general meeting and the H share class general meeting.

4. Number of Shares

According to the Key Employee Stock Ownership Scheme, the aggregate shares to be issued under the Non-public Issuance will be no more than 6% of the existing issued share capital of the Company, i.e. no more than 76,000,000 shares, representing approximately 5% of the issued share capital of the Company upon the completion of the Non-public Issuance. Domestic shares held by a single Holder shall not be more than 1,000,000 shares and no less than 100,000 shares, or exceed 0.079% of the current aggregate share capital of the Company. If there are changes in relevant laws, regulations and regulatory documents in the future, new regulations shall prevail. The final number of domestic shares to be issued under Non-public Issuance will be subject to the actual number of domestic shares subscribed for under the Non-public Issuance by the Holders.

5. Pricing Principle

The pricing principle of the issue price of the domestic shares to be issued under the Non-public Issuance is that on the basis of completing financial audit and assets valuation, the issue price shall not be lower than the net asset value per share as approved and filed. The final issue price of the Non-public Issuance will be subject to the issue price approved by Beijing SASAC and relevant regulatory authorities, the extraordinary general meeting and the domestic share class general meeting and the H share class general meeting.

6. Lock-up Period

The lock-up period of the Key Employee Stock Ownership Scheme shall be 36 months, commencing from the date that the domestic shares to be issued under the Non-public Issuance are registered under the name of the Partnership Enterprise.

If the domestic shares of the Company are listed during the lock-up period of the Key Employee Stock Ownership Scheme, the Holders shall not transfer such domestic shares during the listing of domestic shares of the Company, and shall undertake a lock-up period of not less than 36 months from the date of the listing of domestic shares.

During the lock-up period, the Partnership Enterprise shall not sell or transfer the domestic shares held by it under the Non-public Issuance, while partners of the Partnership Enterprise shall not transfer the equity interests of the domestic shares under the Non-public Issuance held in an arbitrary manner. Upon the expiration of the lock-up period, the Holders may reduce the domestic shares held by them according to relevant requirements of securities regulatory departments and stock exchanges. The directors and senior management of the Company may transfer not more than 25% of the total shares held by them in the Company each year during their tenure.

7. Valid Term

The valid term of the Key Employee Stock Ownership Scheme shall be 36 months upon expiration of the lock-up period of the Key Employee Stock Ownership Scheme, commencing from the date when the domestic shares to be issued under the Non-public Issuance are registered under the names of the Partnership Enterprise. If the sale of the domestic shares under the Non-public Issuance is restricted by relevant laws, regulations and regulatory documents, which leads to the failure of the domestic shares under the Non-public Issuance to be fully cashed before the expiration of the valid term, the valid term of the Key Employee Stock Ownership Scheme can be extended accordingly. If the valid term needs to be extended due to other circumstances, the extension shall be determined by the Partners' Meeting of the Partnership Enterprise.

8. Partnership Enterprise

For the purpose of the Key Employee Stock Ownership Scheme, the Holders will establish a general partnership enterprise as the Partnership Enterprise to hold the domestic shares under the Non-public Issuance. The general partners of the Partnership Enterprise are comprised of the Holders of the Key Employee Stock Ownership Scheme. The Partnership Enterprise shall not participate in any operational activity except for the shareholding in the Company.

The internal management authority of the Partnership Enterprise is the Partners' Meeting, which is comprised of all Holders. The Board will formulate and amend the Key Employee Stock Ownership Scheme and deal with other matters in relation to the Key Employee Stock Ownership Scheme within the scope as authorized by the extraordinary general meeting, the domestic share class general meeting, the H share class general meeting and the Partners' Meeting. The Key Employee Stock Ownership Scheme will also set up a management committee, an organization on behalf of all Holders in exercising the rights of Shareholders over the shares of the Company held under the Key Employee Stock Ownership Scheme, as well as performing routine management duties of the Key Employee Stock Ownership Scheme as authorized by the Holders.

CONDITIONS OF IMPLEMENTATION

The implementation of the Key Employee Stock Ownership Scheme and the Non-public Issuance shall be subject to the following conditions:

1. Obtaining the approval from Beijing SASAC and relevant regulatory authorities; and
2. Obtaining the approval from the independent Shareholders of the Company at the extraordinary general meeting, the domestic share class general meeting and the H share class general meeting.

APPROVAL FROM THE BOARD

The proposal in relation to the implementation of Key Employee Stock Ownership Scheme by way of the Non-public Issuance of domestic shares has been approved at the Board meeting dated 25 July 2017. Mr. Wang Hanjun and Mr. Li Guoqing, both being directors of the Company, had abstained from voting due to their possible participation in the Key Employee Stock Ownership Scheme and their material interests in such transactions. The Board will also propose the authorization of a special mandate to the Board to deal with, in its absolute discretion, relevant matters in relation to the implementation of the Key Employee Stock Ownership Scheme by way of the Non-public Issuance of domestic shares at the extraordinary general meeting, the domestic share class general meeting and the H share class general meeting.

REASONS FOR AND BENEFITS OF THE IMPLEMENTATION OF THE KEY EMPLOYEE STOCK OWNERSHIP SCHEME

The Board is of the view that the implementation of the Key Employee Stock Ownership Scheme helps establish a long-term incentive-based and restraint mechanism enabling the Employees and Shareholders to share their interests, risks and responsibilities as well as setting up businesses together, to maintain the stability of our team of key talents, and to strengthen the unity among Employees and increase the competitiveness of the Company, so as to further optimize the shareholding structure and the governance mechanism of the Company, which in turn will promote the long-term development of the Company.

Directors of the Company (excluding the independent non-executive directors of the Company, who will make comments with reference to the opinions of the independent financial advisor) consider that the contents of the Key Employee Stock Ownership Scheme are fair and reasonable. The implementation of the Key Employee Stock Ownership Scheme is in the interest of the Company and its Shareholders as a whole.

ABOUT THE COMPANY

The Company mainly engages in design, survey and consultancy services for urban rail transit engineering, industrial and civil construction and municipal engineering, as well as engineering contracting business in relation to urban rail transit construction projects.

FUND-RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not raised any assets from share issuance within the 12 months immediately preceding the date of this announcement.

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Pursuant to Rule 19A.38 of the Listing Rule and the Articles of Association, the implementation of the proposed Key Employee Stock Ownership Scheme by way of the Non-public Issuance of domestic shares shall be subject to the approval of domestic Shareholders and H Shareholders by way of special resolutions at respective class general meetings. The Company will hold the extraordinary general meeting, domestic share class general meeting and H share class general meeting to consider and approve at its discretion the resolution in relation to the implementation of Key Employee Stock Ownership Scheme by way of the Non-public Issuance of domestic shares.

The Company will establish the independent directors committee in order to advise independent Shareholders on the resolution in respect of the implementation of the Key Employee Stock Ownership Scheme by way of the Non-public Issuance of domestic shares. The Company will also appoint an independent financial adviser to make recommendation to the independent directors committee and independent Shareholders.

The Key Employee Stock Ownership Scheme is not a share option scheme and shall not be subject to the requirements under Chapter 17 of the Listing Rules.

The Key Employee Stock Ownership Scheme shall be subject to the fulfillment of certain conditions, and accordingly, the Key Employee Stock Ownership Scheme may or may not proceed. Shareholders and potential investors of the Company are advised to pay attention to investment risks and exercise in caution when dealing in the shares of the Company.

DEFINITIONS

“Articles of Association”	the Articles of Association of Beijing Urban Construction Design & Development Group Co., Limited
“Beijing SASAC”	State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality
“Board”	the board of directors of the Company
“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)
“Company Law”	the Company Law of the People's Republic of China
“CSRC”	China Securities Regulatory Commission
“Employee(s)”	employee(s) of the Company
“Key Employee Stock Ownership Scheme”	stock ownership scheme for key Employees of the Company
“Key Employee Stock Ownership Scheme of the Company (Draft)”	Proposal for Stock Ownership Scheme for Key Employees of Beijing Urban Construction Design & Development Group Co., Limited (Draft)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“Non-public Issuance”	the non-public issuance of no more than 76,000,000 domestic shares for implementation of the Key Employee Stock Ownership Scheme by the Company
“Participant(s)” or “Holder(s)”	the participant(s) of the Key Employee Stock Ownership Scheme, namely the holder(s) of domestic shares of Non-public Issuance under the Key Employee Stock Ownership Scheme

“Partners’ Meeting”	the partners’ meeting of the Partnership Enterprise, which is comprised of all Holders
“Partnership Enterprise”	a general partnership enterprise established by the Holders pursuant to the Key Employee Stock Ownership Scheme to hold domestic shares under the Non-public Issuance
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People's Republic of China
“Shareholders”	holders of the shares of the Company

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

Beijing, 25 July 2017

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, Yan Lianyuan and Tang Shuchang; and the independent non-executive directors of the Company are Zhang Fengchao, Wang Dexing, Yim Fung, Sun Maozhu and Liang Qinghuai.