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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  
CONTINUING CONNECTED TRANSACTIONS WITH  
BEIJING INVESTMENT COMPANY**

The Board is pleased to announce that on 15 August 2018, the Company entered into the Integrated Services Framework Agreement with Beijing Investment Company, pursuant to which the Group would provide Beijing Investment Company, its subsidiaries and/or its associates with services such as construction survey, design and consultancy as well as construction contracting services.

**Implications of the Listing Rules**

As at the date of this announcement, the Domestic Shares and H Shares of the Company held by Beijing Investment Company in aggregate accounted for 11.57% of the total issued Shares of the Company. Beijing Investment Company is one of the substantial shareholders of the Company and constitutes the connected person under Chapter 14A of the Listing Rules. The transactions under the Integrated Services Framework Agreement and contemplated thereunder between the Group and Beijing Investment Company, its subsidiaries and/or associates constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the provision of construction survey, design and consultancy services and other services by the Group to Beijing Investment Company, its subsidiaries and/or associates contemplated under the Integrated Services Framework Agreement is more than 5%, such continuing connected transactions and such proposed annual caps shall be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the provision of construction contracting services and other services by the Group to Beijing Investment Company, its subsidiaries and/or associates contemplated under the Integrated Services Framework Agreement is more than 5%, such continuing connected transactions and such proposed annual caps shall be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **1. INTRODUCTION**

The Board is pleased to announce that on 15 August 2018, the Company entered into the Integrated Services Framework Agreement with Beijing Investment Company, pursuant to which the Group would provide Beijing Investment Company, its subsidiaries and/or its associates with services such as construction survey, design and consultancy as well as construction contracting services.

## **2. INTEGRATED SERVICES FRAMEWORK AGREEMENT**

On 15 August 2018, the Company entered into the Integrated Services Framework Agreement with Beijing Investment Company, valid from 1 January 2019 to 31 December 2021. The Company has also set the annual caps for the continuing connected transactions under such agreements for the three financial years ending 31 December 2021, the principle terms of which are set out as follows:

### **Parties to the agreement :**

The Company  
Beijing Investment Company

### **Term of the agreement:**

From 1 January 2019 to 31 December 2021

### **Scope of service:**

- (1) The Group provides Beijing Investment Company, its subsidiaries and/or its associates with construction survey, design and consultancy services, including but not limited to construction survey, design and consultancy services, and other services required by Beijing Investment Company, its subsidiaries and/or its associates to carry out their business.

- (2) The Group provides Beijing Investment Company, its subsidiaries and/or its associates with construction contracting services, including but not limited to construction contracting services, and other services required by Beijing Investment Company, its subsidiaries and/or its associates to carry out their business.

**Transaction principles:**

- (1) Both parties are entitled to choose the counterparties of the transaction. Meanwhile, Beijing Investment Company, its subsidiaries and/or associates 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.
- (2) Both parties shall carry out the transaction in accordance with the applicable general market practice (if any) and on normal commercial terms.

**Pricing principles:**

- (1) Where there is government-prescribed price (Government-prescribed price refers to the price prescribed for certain services or services determined under the laws, regulations, decisions, orders or focuses by the central and provincial governments or relevant regulatory authorities);
- (2) Where there is no government-prescribed price, but there is government-guided price, then the price would be determined by coordinating the market factors with reference to the government-guided price (Government-guided price refers to the price prescribed by both transaction parties within a certain range for certain services or services determined under the laws, regulations, decisions, orders or focuses by the central and provincial governments or relevant regulatory authorities);
- (3) Where there is neither government-prescribed price nor government-guided price, then the price would be 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 then 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) then 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

- (4) 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 (The Company will estimate the cost and price of the project with reference to calculation methods stated in relevant charging guidelines promulgated by the government or industry associations. The prices, methods and calculations provided by the industry associations and competent authorities are for reference only and it is not mandatory for the parties to apply such prices, methods and calculations in determining of the contractual price. In terms of construction consultancy services, the Charging Guidelines of Preliminary Consultancy Services of Urban Rail Transit (《城市轨道交通前期諮詢工作收費指導意見》) issued by China Association of Metros (中國城市軌道交通協會) would be taken as a reference. To ensure the price is fair and reasonable, the Company will take into account certain factors, including the project scale, technical difficulties, labour costs and the pricing of similar type of projects. Normally, the quoted price shall not be below the estimated cost plus reasonable profit).

#### **Settlement method:**

The service fee shall be paid by Beijing Investment Company, its subsidiaries and/or associates to the Group upon completion of relevant services provided within the settlement cycle as agreed under the specific service contracts entered into in accordance with the Integrated Services Framework Agreement.

#### **Implementation of agreements:**

- (1) Both parties may enter into specific service contracts in accordance with the Integrated Services Framework Agreement (including the annual plan established under the Framework Agreement). The terms of such specific service contracts shall not exceed the validity period of the Integrated Services Framework Agreement, and all specific service contracts shall not violate the provisions of the Framework Agreement.

- (2) The principles and conditions stipulated in the Integrated Services Framework Agreement shall apply to the specific service contracts which have been entered into when the Framework Agreement was valid. Both parties may, as agreed, determine the new annual specific execution plan in the specific service contracts, or make any adjustments to the terms of renewal of the contracts and according to the actual situation and needs from time to time.

### **3. THE PROPOSED ANNUAL CAPS FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2021**

#### **3.1 Historical transaction amounts:**

The actual transaction amount of the continuing transactions for services such as construction survey, design and consultancy, from 11 July 2017 to 31 December 2017, amounted to RMB64,405,000 in aggregate. From 11 July 2017 to 31 December 2017, the actual transaction amount of continuing transactions for construction contracting was RMB321,592,000.

#### **3.2 Proposed annual caps for the three financial years ending 31 December 2021**

The Company estimates that the annual caps for the continuing connected transactions contemplated under the Integrated Services Framework Agreement between the Group and Beijing Investment Company, its subsidiaries and/or its associates, for the next three financial years ending 31 December 2021 are as follows:

	<b>Proposed annual caps for the three financial years ending</b>		
	<b>31 December 2019</b>	<b>31 December 2020</b>	<b>31 December 2021</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Revenue to be generated by the Group from providing construction survey, design and consultancy services to Beijing Investment Company, its subsidiaries and/or associates	450.00	495.00	544.50
Revenue to be generated by the Group from providing construction contracting services to Beijing Investment Company, its subsidiaries and/or associates	500.00	600.00	700.00

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

#### ***3.3.1 Construction survey, design and consultancy services***

When estimating the annual caps for the revenue to be generated by the Group from providing construction survey, design and consultancy services to Beijing Investment Company, its subsidiaries and/or associates under the proposed Integrated Services Framework Agreement 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) **New Airport Express North Extension Project:** With the implementation of the New Airport Express North Extension Work Project, the Company, if able to obtain survey and design projects from the project company in relation to such project, such as the New Airport Express North Extension Measurement Project and the New Airport Express Special Monitoring Project, expects to generate a revenue of approximately RMB43.0 million as of 31 December 2019.
- (b) **Urban Rail Transit Survey and Design Project:** China has increased investment in urban infrastructure and introduced relevant policies for promoting involvement of social capital, thereby injecting new vitality into the development of the urban rail transit industry. The Company expects that the revenue to be generated from the provision of services to Beijing Urban Rapid Rail Construction Management Co., Ltd., a subsidiary of Beijing Investment Company, for the Beijing Rail Transit Line 22 (Xu Xinzhuang to Pinggu Section) Engineering Project will be approximately RMB15.0 million as of 31 December 2019. In addition, if the Company can obtain other urban rail transit survey and design projects from such subsidiary, such as the Third-party Survey Project of the Suburban Rail Transit of the Tongzhou District Sub-civic Center, the D1 or D2 Line Design Project, the Third-party Monitoring Project of the S6 Line First Phase Engineering, etc, it is expected that the revenue from the provision of such services during the three financial years ending 31 December 2021 will be approximately RMB90.0 million, RMB50.0 million and RMB50.0 million.

- (c) Urban Rail Transit Measurement and Monitoring Project: Beijing Investment Company, its subsidiaries and/or associates have a continuing demand for urban rail transit measurement and monitoring services. If the Company can obtain urban rail transit measurement and monitoring projects through bidding, the Company expects that the revenue to be generated from such projects for the three financial years ending 31 December 2021 will be approximately RMB65.0 million, RMB65.0 million and RMB70.0 million, respectively.
- (d) Urban Tunnel Survey and Design Projects: The Company expects that if it can obtain urban tunnel survey and design projects, such as the feasibility study and design relating to the tunnels and the utility tunnel third-party monitoring of Line 3, Line 17, Changnan, Tongzhou utility tunnel inspection and other projects, from Beijing Jingtou Urban Tunnel Investment Co., Ltd. (北京京投城市管廊投资有限公司), a subsidiary of Beijing Investment Company, the revenue to be generated for the three financial years ending 31 December 2021 will be approximately RMB98.0 million, RMB15.0 million and RMB5.0 million, respectively.
- (e) Other potential projects: In view of the coordinated development of “Beijing-Tianjin-Hebei Integration”, the development and upgrade of the national businesses of Beijing Investment Company, its subsidiaries and/or its associates, etc., in order to prepare for more potential projects to be acquired by the Company, the Company has included a buffer of 10% increase in the annual cap for the year ending 31 December 2020 based on the estimated annual cap for the year ending 31 December 2019 and a buffer of 10% increase for the year ending 31 December 2021 based on the estimated annual cap for the year ending 31 December 2020 in its estimate of the annual cap for the revenue from providing construction survey, design and consultancy services to Beijing Investment Company, its subsidiaries and/or associates.



### ***3.3.2 Construction contracting services***

When estimating the annual caps for the revenue to be generated by the Group from providing construction contracting services to Beijing Investment Company, its subsidiaries and/or associates under the proposed Integrated Services Framework Agreement 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) China Police Dog Headquarter Project: The Company expects to obtain the China Police Dog Headquarter Project through public tender, as a result of which a revenue of approximately RMB500 million will be incurred as of 31 December 2019.
- (b) Beijing Tunnel Engineering: The Company expects to obtain the Beijing Tunnel Engineering Project, including the Tunnel engineering work for Line 17 and Line 12, through public tender, as a result of which a revenue of approximately RMB600 million and RMB700 million will be incurred for the two financial years ending 31 December 2020 and 31 December 2021.

## **4. REASONS FOR AND BENEFITS OF ENTERING INTO THE INTEGRATED SERVICES FRAMEWORK AGREEMENT**

Integration of design, survey and consultancy business and construction contracting business allows the Group to provide comprehensive business solutions, covering all major stages within urban rail transit engineering. Taking into account Beijing Investment Company being the investment platform for the rail transit business of the government and the ongoing business cooperation between Beijing Investment Company and the Group, the entering into of the Integrated Services Framework Agreement may expand the income sources of the Group, consolidate and improve the market position and competitiveness of the Group in the urban rail transit industry.

The Directors of the Company are of the view that the Integrated Services Framework Agreement and the transactions thereunder have been entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, the terms and conditions and the proposed annual caps for revenue of the continuing connected transactions contemplated thereunder of which are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.



After taking into consideration of the advice of the independent financial adviser, the Independent Board Committee, comprising independent non-executive directors, will propose its opinions in respect of such continuing connected transactions in the letter contained in the circular to be dispatched.

## **5. IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, the Domestic Shares and H Shares of the Company held by Beijing Investment Company in aggregate accounted for 11.57% of the total issued Shares of the Company. Beijing Investment Company is one of the substantial shareholders of the Company and constitutes the connected person under Chapter 14A of the Listing Rules. The transactions under the Integrated Services Framework Agreement and contemplated thereunder between the Group and Beijing Investment Company, its subsidiaries and/or associates constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the provision of construction survey, design and consultancy services and other services by the Group to Beijing Investment Company, its subsidiaries and/or associates contemplated under the Integrated Services Framework Agreement is more than 5%, such continuing connected transactions and such proposed annual caps shall be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the provision of construction contracting services and other services by the Group to Beijing Investment Company, its subsidiaries and/or associates contemplated under the Integrated Services Framework Agreement is more than 5%, such continuing connected transactions and such proposed annual caps shall be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Guan Jifa serves as the deputy general manager of Beijing Investment Company, he is deemed to be materially interested in the Integrated Services Framework Agreement, and therefore, he has abstained from voting on the relevant resolutions at the Board meeting. Save as mentioned above, none of the other Directors has material interests in the above agreements and thus is required to abstain from voting on the relevant resolutions at the Board meeting.

## **6. INDEPENDENT SHAREHOLDERS' APPROVAL**

The Company will convene the extraordinary general meeting to, among other things, obtain the approval of the Independent Shareholders in respect of the provision of construction survey, design and consultancy services by the Group to Beijing Investment Company, its subsidiaries and/or associates contemplated under the Integrated Services Framework Agreement and its proposed annual caps and the provision of construction contracting services by the Group to Beijing Investment Company, its subsidiaries and/or associates contemplated under the Integrated Services Framework Agreement and its proposed annual caps. Beijing Investment Company, its subsidiaries and/or associates are required to abstain from voting on the relevant resolutions at the extraordinary general meeting.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Integrated Services Framework Agreement proposed to be entered into and, accordingly, the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2021. The Company has also appointed the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same matter.

A circular containing, among other things, (i) further details of the Integrated Services Framework Agreement proposed to be entered into and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2021; (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 will be despatched by the Company to the Shareholders in due course, and the notice of the extraordinary general meeting of the Company will also be despatched to the Shareholders.

## **7. GENERAL INFORMATION**

### **Information on the Company**

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

### **Information on Beijing Investment Company**

Beijing Investment Company, a wholly state-owned company with limited liability, is mainly engaged in businesses investment and financing, pre-planning, capital operation and relevant resources development and management of infrastructure projects including rail transit.

## 8. DEFINITIONS

“associate(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Beijing Investment Company”	Beijing Infrastructure Investment Co., Ltd., a substantial shareholder of the Company
“Board” or “Board of Directors”	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)
“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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Wang Dexing, Dr. Yim Fung, Mr. Sun Maozhu, Mr. Liang Qinghuai and Mr. Qin Guisheng, which was established to advise the Independent Shareholders in relation to the terms of the Integrated Services Framework Agreement proposed to be entered into and the proposed annual caps for revenue of the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2021
“Independent Shareholders”	Shareholders other than those required by the Hong Kong Listing Rules to abstain from voting on the resolution to be proposed at the extraordinary general meeting in relation to the entering into of the Integrated Services Framework Agreement and, accordingly, the proposed annual caps for the continuing connected transactions contemplated thereunder
“Integrated Services Framework Agreement”	the Integrated Services Framework Agreement entered into between the Company and Beijing Investment Company on 15 August 2018, effective from 1 January 2019 to 31 December 2021
“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
“Listing Rules”	the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	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
“RMB”	Renminbi, the lawful currency of the PRC
“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

“substantial shareholder(s)” shall have the meaning ascribed to it under the Hong Kong Listing Rules

By order of the Board

**Beijing Urban Construction Design & Development Group Co., Limited**  
**Shi Yubin**  
*Chairman*

Beijing, 15 August 2018

*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 Shi Yubin, Tang Shuchang, Wu Donghui, Guan Jifa, Ren Yuhang. Su Bin, Yu Xiaojun and Ren Chong; and the independent non-executive Directors of the Company are Wang Dexing, Yim Fung, Sun Maozhu, Liang Qinghuai and Qin Guisheng.*