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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)

**DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION:
TRANSFER OF PARTIAL EQUITY INTEREST IN BUCZT**

The Board hereby announces that, the Company entered into the Equity Transfer Agreement with BUCG on 21 November 2023 in relation to the transfer of partial equity interest in BUCZT by the Company to BUCG.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As the highest applicable percentage ratio regarding the Equity Transfer exceeds 5% but is lower than 25% under the Hong Kong Listing Rules, the transaction constitutes a discloseable transaction of the Company, which is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

As at the date of this announcement, BUCG is the controlling Shareholder of the Company holding 42.34% interest of the Company. Accordingly, BUCG is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and the Equity Transfer constitutes a connected transaction of the Company. As the highest applicable percentage ratio regarding the Equity Transfer exceeds 5% under the Hong Kong Listing Rules, such transaction is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements 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 transaction in relation to the transfer of partial equity interest in BUCZT. BUCG 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 and will advise the Independent Shareholders on the transaction in relation to the transfer of partial equity interest in BUCZT. Gram Capital has also been appointed as the Independent Financial Adviser 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 transaction in relation to the transfer of partial equity interest in BUCZT; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, together with the notice of the extraordinary general meeting of the Company, will be despatched by the Company to the Shareholders in due course. As it takes time to finalize certain information to be incorporated into the circular, the Company may despatch the circular 15 business days after the publication of this announcement.

INTRODUCTION

The Board hereby announces that, the Company entered into the Equity Transfer Agreement with BUCG on 21 November 2023 in relation to the transfer of partial equity interest in BUCZT by the Company to BUCG.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date of agreement

21 November 2023

Parties to the agreement

Transferor: the Company

Transferee: BUCG

Transfer subject

The Company will transfer 20% equity interest in BUCZT to BUCG. BUCZT is a joint stock company established in the PRC with limited liability on 10 October 2014, with principal business mainly centred on the urban rail transit cloud-based transportation automation system to provide research and development, production, sales of products such as communication system, signal system, integrated monitoring system, automatic fare collection system, screen door system and other related products and provide integration services in the urban rail transit industry. As at 31 July 2023, BUCZT had audited total assets of RMB2,716,261,200. Below summarises its audited financial data for the years ended 31 December 2022 and 31 December 2021:

(Unit: RMB ten thousand)

	2022	2021
Total revenue	166,360.42	101,517.80
Total profit	7,271.61	6,855.30
Net profit	7,277.34	6,613.84

Consideration and payment method

The consideration for the transfer subject is RMB348,036,000, which shall be payable by installment payment. The transferee shall remit 60% of the transfer price (i.e. RMB208,821,600) to the settlement account designated by the transferor within 3 working days after the approval of the transferor's general meeting of shareholders, and the remaining transfer price (i.e. RMB139,214,400) shall be paid off within 30 days after the completion of the industrial and commercial change of the transfer of titles.

Basis of determining the consideration

The consideration for the equity transfer was based on the valuation report issued by Beijing Zhongzhicheng International Assets Appraisal Co., Ltd. (北京中致成國際資產評估有限公司). Due to the fact that the income approach takes into account not only assets measured according to accounting principle, but also contract fulfillment, customer resource, sales network, potential project, enterprise qualification, human resource, strong product research and development capability and other resources actually owned or controlled by the company which cannot be reflected in its balance sheet, thereby better demonstrating the overall growth and profitability of BUCZT, thus the income approach has been adopted for determination of the consideration of the Equity Transfer in assessing the value of BUCZT.

The valuation results under the income approach were adopted as the final valuation conclusion: as at 31 July 2023, the valuation base date, on the premise of going concern, the value of all shareholders' equities of BUCZT was RMB1,740,180,000, representing an appreciation in value of RMB1,157,527,500 or 198.67% over the book value of net assets of RMB582,652,500.

Pursuant to Rule 14.62(1) of the Hong Kong Listing Rules, the principal assumptions for preparation of the valuation report are set out below:

(i) Basic assumptions

- (1) Transaction assumption, which assumes that all the assets to be valued are already in the process of transaction, and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued;
- (2) Open market assumption, which is an assumption for the conditions of assets proposed to enter the market and how the assets will be affected under such market conditions. Open market refers to the fully developed and sound market conditions, which is a competitive market with voluntary purchasers and sellers, and in which purchasers and sellers are of equal standing and have opportunities and time to access sufficient market information; parties to the transaction trade voluntarily, rationally, under no compulsion and without restriction;
- (3) Continuous use assumption, which is an assumption on the conditions of assets proposed to enter the market and status of the assets under such market conditions. It is assumed that, firstly, the appraised assets are under use, and secondly, the assets under use will be used continuously. Under the continuous use assumption, change of uses of assets and the best conditions of use are not taken into account, and the scope of use of the appraisal result is limited; and

- (4) Corporate going concern assumption, which is a valuation assumption made by taking the overall assets of a company as the object of valuation. That is, the company, as a business entity, continues to operate in accordance with its business objectives under the external environment in which it operates. The company's operators are responsible for and capable of assuming responsibility; and the company operates legally and is able to earn appropriate profits to maintain its ability to continue as a going concern.

(ii) Assumptions under the income approach

- (1) There will be no significant changes to the relevant prevailing laws, regulations and policies, or macro-economic situations in the PRC as well as the political, economic and social environment of regions where the parties to the transaction are located; there are no other unforeseeable factors and force majeure that may give rise to material adverse impact;
- (2) It is assumed that the company is a going concern with respect to the actual condition of the assets as of the valuation base date;
- (3) It is assumed that the cash flows of the company are even cash inflow;
- (4) It is assumed that the company's operators are responsible and that the company's management is capable of taking on its duties;
- (5) Unless otherwise stated, it is assumed that the company fully complies with all relevant laws and regulations;
- (6) It is assumed that the accounting policies adopted by the company in the future will be broadly consistent in material aspects with those adopted in the preparation of this report;
- (7) It is assumed that the business scope and method of operation of the company will be consistent with the current direction on the basis of the existing management model and level;
- (8) There are no significant changes in interest rates, exchange rates, tax bases and rates, policy levies, etc.;
- (9) There is no other force majeure and unforeseeable factors which may have a material adverse impact on the company;
- (10) It is assumed that the values of various parameters measured in this valuation are determined based on the current pricing system, without taking into account the effect from inflation subsequent to the valuation base date; and
- (11) It is assumed that there will be no significant change to relevant prevailing laws and regulations on the recognition of high and new technology enterprises in the future and the company can meet the conditions for recognizing as a high and new technology enterprise and can continuously enjoy preferential policies on the levy of income tax at 15%.

After review on the valuation report and taking into account (i) the Independent Valuer has prepared the valuation report based on procedures, standards, laws and regulations of the PRC on valuation; (ii) the Independent Valuer has reviewed the financial data, operating data and other relevant data in relation to BUCZT to understand the company comprehensively; and (iii) the reasons for adoption of the income approach in the valuation, methods and assumptions adopted by the Independent Valuer, valuation scope and valuation results, the Directors believe that the valuation results reflect the value of BUCZT and are fair and reasonable.

Da Hua Moore International CPA Limited, the reporting accountant of the Company, has reviewed the arithmetical accuracy of the calculations of the discounted cash flow forecast on which the valuation is based, without involving the reasonability of the accounting policies and assumptions adopted. The Board has confirmed that the profit forecast (including the assumptions) of BUCZT set out in the valuation report are made after due and careful enquiry. Letters from Da Hua Moore International CPA Limited and the Board are set out in Appendix I and Appendix II to this announcement, respectively.

EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given advice and recommendations which are contained in this announcement:

Name	Qualification
Beijing Zhongzhicheng International Assets Appraisal Co., Ltd. (北京中致成國際資產評估有限公司)	A qualified valuer in the PRC
Da Hua Moore International CPA Limited	Certified Public Accountants

As at the date of this announcement, each expert has given and has not withdrawn its written consent to the issue of this announcement with the inclusion herein of its letter or report and references to its name and advice in the form and context in which it appears.

As at the date of this announcement, each expert:

- (a) does not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group; and
- (b) does not have any shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for, or to nominate persons to subscribe for securities in any member of the Group.

SHARING OF TRANSACTION COSTS

The parties to the agreement shall be responsible for their own transaction costs that arise in the course of equity transfer under the Equity Transfer Agreement as stipulated therein.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT

The entering into of the Equity Transfer Agreement is conducive to facilitating the Group's further focus on its principal business, and the Company can enhance efficiency of capital operation and allocation through equity transfer. The Directors (excluding the independent non-executive Directors, whose view on relevant matter will be set out in the circular after considering the advice from Gram Capital) are of the view that the Equity Transfer Agreement, despite it will not be conducted in the ordinary and usual course of business of the Group, was entered into on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL IMPACT OF THE EQUITY TRANSFER AND PROPOSED USE OF THE PROCEEDS

After the completion of the Equity Transfer, the Company's shareholding in BUCZT will decrease from 30.83% to 10.83%. Based on the Equity Transfer, it is expected that the Company will recognize a gain of RMB180,247,061. The Company currently plans to use the proceeds from the Equity Transfer as general working capital.

INFORMATION ON THE PARTIES

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 with limited liability established and funded by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, which is principally engaged in the businesses of construction contracting, real estate development and design and consultation. The ultimate beneficial owner of BUCG is the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

IMPLICATIONS OF THE HONG KONG LISTING RULES

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Mr. Pei Hongwei and Ms. Shi Huaxin are deemed to be materially interested in the Equity Transfer by virtue of their positions in BUCG. Therefore, they have abstained from voting on the relevant resolutions at the Board meeting. Save as mentioned above, none of the other Directors has a material interest in the Equity Transfer and is therefore required to abstain from voting on the relevant resolutions at the Board meeting.

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 transaction in relation to the transfer of partial equity interest in BUCZT. BUCG 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 and will advise the Independent Shareholders on the transaction in relation to the transfer of partial equity interest in BUCZT. Gram Capital has also been appointed as the Independent Financial Adviser 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 transaction in relation to the transfer of partial equity interest in BUCZT; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, together with the notice of the extraordinary general meeting of the Company, will be despatched by the Company to the Shareholders in due course. As it takes time to finalize certain information to be incorporated into the circular, the Company may despatch the circular 15 business days after the publication of this announcement.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), the controlling Shareholder of the Company holding 42.34% equity interest in the Company, and a wholly state-owned enterprise under the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality
“BUCZT”	Beijing Urban Construction Zhikong Technology Co., Ltd. (北京城建智控科技股份有限公司), a joint stock company established in the PRC with limited liability
“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 incorporated in the PRC with limited liability, 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)”	the director(s) of the Company
“Equity Transfer”	transaction in relation to the transfer of 20% equity interest in BUCZT by the Company to BUCG pursuant to the Equity Transfer Agreement

“Equity Transfer Agreement”	the equity transfer agreement entered into by the Company and BUCG on 21 November 2023
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Wang Guofeng, Mr. Qin Guisheng, Mr. Ma Xufei and Mr. Xia Peng, which was established to advise the Independent Shareholders in relation to the resolution in respect of the transfer of partial equity interest in BUCZT
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer
“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 transfer of partial equity interest in BUCZT
“Independent Valuer”	Beijing Zhongzhicheng International Assets Appraisal Co., Ltd. (北京中致成國際資產評估有限公司)
“percentage ratio(s)”	percentage ratio(s) as defined in Rule 14A.06(30) of the Hong Kong Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of H share(s) and domestic share(s) of the Company
“%”	per cent

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

Beijing, 21 November 2023

As at the date of this announcement, the executive directors of the Company are Wang Hanjun and Li Guoqing; the non-executive directors of the Company are Pei Hongwei, Shi Huaxin, Peng Dongdong, Li Fei, Wang Tao and Tang Qimeng; and the independent non-executive directors of the Company are Wang Guofeng, Qin Guisheng, Ma Xufei and Xia Peng.

APPENDIX I LETTER FROM THE REPORTING ACCOUNTANT OF THE COMPANY ON VALUATION REPORT

The Board of Directors
Beijing Urban Construction Design & Development Group Co., Limited
5 Fuchengmen North Street
Xicheng District, Beijing PRC

Dear Sirs,

REPORT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATIONS OF THE EQUITY INTERESTS IN THE TARGET COMPANIES (AS DEFINED BELOW)

To the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited

We have examined the calculations of the discounted future estimated cash flows on which the valuations prepared by Beijing Zhongzhicheng International Assets Appraisal Co., Ltd. dated 3 November 2023 in respect of the equity interests in Beijing Urban Construction Zhikong Technology Co., Ltd. and Fujian Urban Construction Zhikong Technology Co., Ltd. (collectively referred to as the “**Target Companies**”), as at 31 July 2023 (the “**Valuations**”) are based. The Valuations, prepared in connection with the Target Companies is set out in the announcement dated 21 November 2023 (the “**Announcement**”). The Valuations which are based on the discounted future estimated cash flows are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of the Target Companies (the “**Directors**”) are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and set out in the Announcement (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuations and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant’s Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuations are based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our engagement in accordance with the terms of our engagement letter dated 16 November 2023 and Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Companies. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Because the Valuations relate to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuations and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,

Da Hua Moore International CPA Limited
Certified Public Accountants

Pak Chi Yan
Practising Certificate Number: P06923

Hong Kong, 21 November 2023

APPENDIX II LETTER FROM THE BOARD OF THE COMPANY ON THE PROFIT FORECAST OF BUCZT



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)

Dear Sir or Madam,

**TRANSACTIONS CONTEMPLATED UNDER
THE EQUITY TRANSFER AGREEMENT**

We refer to the valuation report (the “**Valuation Report**”) prepared by Beijing Zhongzhicheng International Assets Appraisal Co., Ltd. (北京中致成國際資產評估有限公司) (the “**Valuer**”) in relation to the valuation of entire equity interest in Beijing Urban Construction Zhikong Technology Co., Ltd. (北京城建智控科技股份有限公司) as at the valuation base date (i.e. 31 July 2023). The valuation adopted the income approach, and therefore is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have considered various aspects of the valuation, including the bases and assumptions of preparation of the valuation, and have reviewed the valuation responsible by the Valuer. We have also considered the letter dated 21 November 2023 issued by Da Hua Moore International CPA Limited, the reporting accountant, in relation to whether, so far as the arithmetical accuracy of the calculations is concerned, the Forecast is properly prepared based on the assumptions set out in the Valuation Report. We have noticed that the calculations of the Forecast in the valuation are accurate and comply with the bases and assumptions set out in the Valuation Report.

Based on the above, we believe the Forecast is made after due and careful enquiry.

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

Beijing, 21 November 2023