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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

**ENTERING INTO CONTINUING
CONNECTED TRANSACTIONS**

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



Entering into Continuing Connected Transactions

References are made to the announcement and circular of the Company dated 10 March 2021 and 7 May 2021, respectively, in relation to, among others, (i) the entering into of the Existing Integrated Services Framework Agreement; and (ii) the determination of the proposed annual caps of the continuing connected transactions contemplated under the Existing Integrated Services Framework Agreement for the three years ending 31 December 2023 between the Company and Beijing Investment Company. As the aforementioned Existing Integrated Services Framework Agreement will expire on 31 December 2023, the Company renewed the Integrated Services Framework Agreement with Beijing Investment on 19 December 2023 for a term of three years from 1 January 2024 to 31 December 2026. The Company has also set the annual caps for the continuing connected transactions contemplated thereunder for each year of 2024 to 2026.

In addition, in view of the fact that the Company will lease properties and land from Beijing Investment and its subsidiaries and/or associates for office and operation purposes, the Company entered into the Property and Land Leasing Framework Agreement with Beijing Investment on 19 December 2023 for a term of three years from 1 January 2024 to 31 December 2026. The Company has also set the annual caps for the continuing connected transactions contemplated thereunder for each year of 2024 to 2026.

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 14.83% of the total issued Shares of the Company. Beijing Investment Company is one of the substantial shareholders of the Company and constitutes a connected person under Chapter 14A of the Listing Rules. The Integrated Services Framework Agreement, the Property and Land Leasing Framework Agreement and the transactions contemplated under such agreements 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 construction contracting 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 survey, design and consultancy services and construction contracting services by Beijing Investment, its subsidiaries and/or associates to the Group contemplated under the Integrated Services Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions and such proposed annual caps shall be subject to the reporting, announcement and annual review requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the leasing of properties and land by Beijing Investment, its subsidiaries and/or associates to the Company contemplated under the Property and Land Leasing Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions and such proposed annual caps shall be subject to the reporting, announcement and annual review requirements but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. INTRODUCTION

The Board is pleased to announce that the Company entered into the Integrated Services Framework Agreement with Beijing Investment on 19 December 2023. Pursuant to the Integrated Services Framework Agreement, the Group will provide Beijing Investment, its subsidiaries and/or its associates with construction survey, design and consultancy services as well as construction contracting services. Beijing Investment, its subsidiaries and/or its associates will provide the Group with construction survey, design and consultancy services as well as construction contracting services. The Company also entered into the Property and Land Leasing Framework Agreement with Beijing Investment on the same day. According to the Property and Land Leasing Framework Agreement, the Company will lease properties and land from Beijing Investment and its subsidiaries and/or associates for office and operation purposes.

II. INTEGRATED SERVICES FRAMEWORK AGREEMENT

1. Entering into the Integrated Services Framework Agreement

On 10 March 2021, the Company entered into the Existing Integrated Services Framework Agreement with Beijing Investment Company, valid from 1 January 2021 to 31 December 2023. The Company has also set the annual caps for the continuing connected transactions under such agreements for the three financial years ending 31 December 2023. As the aforementioned Existing Integrated Services Framework Agreement will expire on 31 December 2023, the Company renewed the Integrated Services Framework Agreement with Beijing Investment on 19 December 2023 for a term of three years from 1 January 2024 to 31 December 2026. The Company has also set the annual caps for the continuing connected transactions contemplated thereunder for each year of 2024 to 2026.

The principal terms of the Integrated Services Framework Agreement are set out as follows:

- | | |
|-----------------------------------|--|
| Parties to the agreement : | The Company Beijing Investment Company |
| Term of the agreement: | From 1 January 2024 to 31 December 2026 |
| Scope of service: | (1) The Group will provide Beijing Investment, its subsidiaries and/or its associates with construction survey, design and consultancy services as well as construction contracting services; and (2) Beijing Investment, its subsidiaries and/or its associates will provide the Group with construction survey, design and consultancy services as well as construction contracting services. |
| Transaction principles: | (1) Both parties are entitled to choose the counterparties of the transaction. (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:

Pursuant to the Integrated Services Framework Agreement, the terms of the agreement for the Group to provide construction survey, design and consultancy services as well as construction contracting services to Beijing Investment, its subsidiaries and/or its associates shall not be better than the terms of the agreement for the Group to provide similar services to independent third parties, and the price for services provided by one party to the other party shall be determined at the following principles:

- (1) Where there is government-prescribed price, the government-prescribed price shall be executed (the government-prescribed price refers to the price determined for a certain type of service or services according to the laws, regulations, decisions or orders formulated by the Chinese central government, provincial government or other 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 (the government-guided price refers to the price determined for a certain type of service or services according to the laws, regulations, decisions and orders formulated by the Chinese central government, provincial government or other regulatory authorities, which within a certain range, can be adjusted through negotiations between both parties to the transaction. In particular, in terms of project contracting services, the Beijing Municipal Commission of Housing and Urban-Rural Development issued the “Beijing Construction Project Pricing Basis-Urban Rail Transit Project Budget Quota” to provide pricing reference for the construction projects in Beijing); or

- (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 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; (2) or if 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.

Payment arrangement:

The service fee shall be paid by one party of the agreement to the other party 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 Integrated Services 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 Integrated Services 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 and other matters of the contracts according to the actual situation and needs from time to time.

2. The proposed annual caps for the three financial years ending 31 December 2026

2.1 Historical transaction amounts

The table below sets out the historical transaction amounts of the construction survey, design and consultancy services as well as construction contracting services provided by the Group to Beijing Investment, its subsidiaries and/or its associates, and the historical transaction amounts of the construction survey, design and consultancy services as well as construction contracting services provided by Beijing Investment, its subsidiaries and/or its associates to the Group for the two financial years ended 31 December 2022 and the six months ended 30 June 2023:

| | Approximate historical transaction amounts for the | | |
|---|--|--|--|
| | year ended 31 December 2021 <i>(RMB hundred million)</i> | year ended 31 December 2022 <i>(RMB hundred million)</i> | six months ended 30 June 2023 <i>(RMB hundred million)</i> |
| Revenue generated by the Group from providing construction survey, design and consultancy services to Beijing Investment, its subsidiaries and/or associates | 4.64 | 4.47 | 2.19 |
| Revenue generated by the Group from providing construction contracting services to Beijing Investment, its subsidiaries and/or associates | 19.69 | 19.47 | 6.90 |
| Expenditure incurred by Beijing Investment, its subsidiaries and/or associates for the provision of construction survey, design and consultancy services to the Group | 0 | 0 | 0.01 |
| Expenditure incurred by Beijing Investment, its subsidiaries and/or associates for the provision of construction contracting services to the Group | 0.21 | 0.03 | 0 |

2.2 Proposed annual caps for the three financial years ending 31 December 2026

The Company estimates that the annual caps for the construction survey, design and consultancy services as well as construction contracting services provided by the Group to Beijing Investment, its subsidiaries and/or its associates, and the annual caps for the construction survey, design and consultancy services as well as construction contracting services provided by Beijing Investment, its subsidiaries and/or its associates to the Group for the three financial years ending 31 December 2026 are as follows:

| | Proposed annual caps for the three financial years ending | | |
|---|--|----------------------------------|----------------------------------|
| | 31 December 2024 | 31 December 2025 | 31 December 2026 |
| | <i>(RMB hundred million)</i> | <i>(RMB hundred million)</i> | <i>(RMB hundred million)</i> |
| Revenue to be generated by the Group from providing construction survey, design and consultancy services to Beijing Investment, its subsidiaries and/or associates | 5.5 | 6.0 | 6.5 |
| Revenue to be generated by the Group from providing construction contracting services to Beijing Investment, its subsidiaries and/or associates | 37 | 58 | 61.5 |
| Expenditure to be incurred by Beijing Investment, its subsidiaries and/or associates for the provision of construction survey, design and consultancy services to the Group | 0.0135 | 0.014 | 0.015 |
| Expenditure to be incurred by Beijing Investment, its subsidiaries and/or associates for the provision of construction contracting services to the Group | 0.485 | 0.515 | 0.5665 |

2.3 Basis of determination of the proposed annual caps

2.3.1. Revenue

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, its subsidiaries and/or associates under the Integrated Services Framework Agreement for the three financial years ending 31 December 2026, the Company has made reference to the historical transaction figures as listed above and considered, among other things, the following key factors:

- (1). The Group will provide Beijing Investment, its subsidiaries and/or its associates with construction survey, design and consultancy services**
 - (a) Urban rail transit survey and measurement projects:** Beijing Investment, its subsidiaries and/or associates have continuous demand for the survey, measurement and monitoring services for urban rail transit projects such as Beijing Subway Line 17 and Line 12 Engineering Measurement Projects, Beijing Subway Line 14 Third Party Engineering Monitoring Project and Beijing Subway Line 16 Engineering Measurement Project; and various projects, including Beijing Rail Transit Line 19 Phase II Engineering Survey Project, Beijing Rail Transit Line 20 Phase I Engineering Survey Project, Beijing Rail Transit Line 11 Phase II Engineering Measurement Project, Beijing Rail Transit Line 1 Branch Line Engineering Measurement Project, Beijing Rail Transit Line 101 Engineering Measurement Project, and Beijing Rail Transit Line S6 Engineering Measurement Project etc., which are expected to be obtained through tender.
 - (b) Urban rail transit design business:** Beijing Investment and its subsidiaries are investors and constructors of Beijing Rail Transit, and the Company has obtained numerous project design businesses through tender, such as Beijing Rail Transit Line 1 Branch Line Engineering Design Project, Beijing Sub-Center Railway Station Comprehensive Transportation Hub Engineering Design Project, Beijing Rail Transit Line 11 Western Section (Beijing Winter Olympics Branch Line) Engineering Design Project, Beijing Rail Transit Line 13 Capacity Expansion and Improvement Engineering Design Project, Beijing Rail Transit New Airport Line (Phase I; Caoqiao-Lize Financial Business District) Engineering Design Project; and projects that may be commenced in the construction planning scheme for Beijing Rail Transit, including Line 19, Line 17 and Line R4 and other projects.

- (c) **Urban rail transit consultancy business:** The Company is currently engaged in a number of rail transit consultancy businesses with Beijing Investment and its subsidiaries, including specialized design and consultancy services for prefabricated construction and indoor BIM consultancy services for the Beijing Dongba Project, design and consultancy services for the Beijing Dongba West Depot Primary Structure Reservation and Optimization Project, specialized design and consultancy services for prefabricated construction and indoor BIM consultancy services for the Beijing Xingong project, BIM consultancy services for the Third-phase Line Construction Plan of Xi'an Urban Rail Transit, etc.; and various projects, including consultancy business in Beijing, M101 Engineering BIM Information Consultancy Project, Subway Line 1 Branch Line and M101 Line Subway Crossing Safety Assessment and Track Protection Design and Consultancy Project, Suburban Railway Consultancy Project, etc., which are expected to be obtained through tender.

- (d) **Urban rail transit testing business:** The Company is currently engaged in a number of rail transit testing businesses with Beijing Investment and its subsidiaries, such as Beijing Sub-Center Railway Station Comprehensive Transportation Hub Physical Testing Project, Beijing Subway Bridge and Tunnel Structure Testing and Assessment Project, Beijing Subway Line 19 Phase I Main Structure Testing Project; and specialized testing projects for Beijing Subway Line 101, S1 and S6, surrounding road projects of Dongba Transportation Hub, and Jiejia Village Hub superstructure development projects which are expected to be obtained through tender.

- (e) **Urban rail transit construction drawing review business:** The Company has obtained numerous construction drawing review businesses with Beijing Investment and its subsidiaries, including construction drawing design document procedures and technical review project of Beijing Subway Line 14, technical consultation of construction drawing review of Beijing Subway Line 17, construction drawing review of Phase I of Beijing Subway Line 3, construction drawing review of Beijing Subway Line 12; and construction drawing review project of Beijing Subway which is expected to be obtained in the future.

(2). The Group will provide Beijing Investment, its subsidiaries and/or its associates with 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, its subsidiaries and/or associates under the Integrated Services Framework Agreement for the three financial years ending 31 December 2026, the Company has made reference to the historical transaction figures as listed above and considered, among other things, the following key factors:

- (a) Subway engineering projects under construction:** projects that the Company has obtained through tender and are in progress, include the Beijing Rail Transit Line 13 Capacity Expansion and Improvement Engineering Project, Line 22 (Pinggu Line) Engineering Project, Line 6 Phase II Engineering Project, New Airport Line Engineering Project, Chongwenmen Subway Station and Surrounding Public Space Renovation and Upgrading Construction Project and Construction Project for Reserved Construction for Rail Transit for the Shared Supporting Facilities of the Three Major Buildings under the Urban Green Heart Project, etc.

- (b) Newly won bid projects:** newly won bid projects which the Company currently plans to commence construction in 2024 include Branch Line of Beijing Rail Transit Line 1 Project, Beijing Rail Transit Line S6 (Xincheng Connecting Line) Phase I Project, Rail Transit Line 22 (Pinggu Line) Project, Beijing Suburban Railway Northeast Loop Line Project, Beijing Rail Transit Line 25 Phase III (Lijin line) Project, Beijing Rail Transit Line 20 Phase I (Line R4) Project, Beijing Rail Transit Line 7 Phase III (North Extension) Project, Beijing Rail Transit Line 11 Phase II Project, Beijing Rail Transit Line 17 Phase II (Branch Line) Project, Beijing Rail Transit Line 19 Phase II project, etc.

2.3.2. Expenditure

When estimating the annual caps for the expenditure to be incurred by Beijing Investment, its subsidiaries and/or associates from providing construction survey, design and consultancy services as well as construction contracting services to the Group under the Integrated Services Framework Agreement for the three financial years ending 31 December 2026, the Company has made reference to the historical transaction figures as listed above and considered, among other things, the following key factors:

(1). Beijing Investment, its subsidiaries and/or its associates will provide the Group with construction survey, design and consultancy services

Consultancy projects to be provided by Beijing Investment and its subsidiaries to the Company include Phase I and Phase II of the Engineering Construction Project of the Smart Park of Beijing Rail Transit Safety Control Center; and the Beijing Subway Design Consultancy Project which is expected to be obtained through tender.

(2). Beijing Investment, its subsidiaries and/or its associates will provide the Group with construction contracting services

Specialized sub-contracting projects to be provided by Beijing Investment and its subsidiaries to the Company include sub-contracting of contract section 25 of Beijing Rail Transit Line 13 Capacity Expansion and Improvement Engineering Design Project; the provision of material procurement service includes the construction of contract section 25 of Beijing Rail Transit Line 13 Capacity Expansion and Improvement Engineering Design Project; the supply of raw materials for the construction of the project includes contract section 02 of Rail Transit Line 22 (Pinggu Line); and the projected procurement of spare parts for Kunming Subway Line 4.

3. 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, MTR Construction (a subsidiary of Beijing Investment Company) being the management platform for the rail transit construction of the government, and the ongoing business cooperation between Beijing Investment Company, MTR Construction 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 (excluding independent non-executive Directors, whose views will be set out in the circular after taking into account the advice of the Independent Financial Adviser) 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 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.

III. PROPERTY AND LAND LEASING FRAMEWORK AGREEMENT

1. Entering into the Property and Land Leasing Framework Agreement

In view that the Company will lease properties and land from Beijing Investment and its subsidiaries and/or associates for office and operation purposes, the Company entered into the Property and Land Leasing Framework Agreement with Beijing Investment on 19 December 2023 for a term of three years from 1 January 2024 to 31 December 2026. The Company has also set the annual caps for the continuing connected transactions contemplated thereunder for each year of 2024 to 2026.

The principal terms of the Property and Land Leasing Framework Agreement are as follows:

- Parties to the agreement:** The Company
Beijing Investment Company
- Term of the agreement:** From 1 January 2024 to 31 December 2026
- Principal terms and conditions:** Pursuant to the Property and Land Leasing Framework Agreement:
- (a) Beijing Investment, its subsidiaries and/or associates agree to lease the leased properties to the Group exclusively for office and operation purposes. Details of which are as follows:
 - (i) The leasing of office building of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. at an annual rental price of approximately RMB2.42 million;
 - (ii) The leasing of office building of Beijing Rail Transit Design and Research Institute Co., Ltd. at an annual rental price of approximately RMB3.49 million; and
 - (iii) The leasing of centralized office for the Company at an annual rental price of approximately RMB1.65 million.

- (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 property and land from Beijing Investment, its subsidiaries and/or associates in accordance with the terms and conditions of the Property and Land Leasing Framework Agreement.
- (c) Beijing Investment shall ensure and/or procure the property management company 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 conditions.
- (d) Beijing Investment has agreed to indemnify the Company for any loss or damage the Company may suffer or incur as a result of any issues relating to the title arising from the use of the leased properties.

**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 may, by mutual agreement, review and adjust the rentals of the leased properties in a timely manner during the term of the Property and Land Leasing Framework Agreement with reference to the prevailing market rate.
- (b) The parties may negotiate and adjust the rentals at any time during the term of the Property and Land Leasing Framework Agreement.
- (c) Except for the rentals, miscellaneous expenses, utility expenses, property management fees (if applicable) and expenses that may be incurred as a result of the Group's breach of the Property and Land Leasing Framework Agreement, Beijing Investment has undertaken to the Group that it will not require the Group to bear and/or pay any other fees (including any taxes payable by Party A, such as property tax) in respect of the leased properties for any reasons whatsoever.

- (d) The rentals in respect of the leased properties shall be paid by the Group to Beijing Investment, its subsidiaries and/or associates on an annual or quarterly basis. The relevant details will 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 expenses, property management fees and miscellaneous fees shall be specified in the individual lease agreement entered into between the parties under the Property and Land Leasing Framework Agreement.

Implementation of agreement:

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

2. The proposed annual caps for the three financial years ending 31 December 2026

2.1 Historical transaction amounts

As of the date of this announcement, the Company has not entered into any property and land leasing framework agreements or conducted any property and land lease with Beijing Investment. As such, there is no relevant historical transaction amounts that can be disclosed or referred to.

2.2 Proposed annual caps for the three financial years ending 31 December 2026

The Company estimates that the annual caps for the continuing connected transactions under the Property and Land Leasing Framework Agreement between the Group and Beijing Investment, its subsidiaries and/or associates for the three financial years ending 31 December 2026 are as follows:

| | Proposed annual caps for the year ending | | |
|--|---|----------------------|----------------------|
| | 31 December | 31 December | 31 December |
| | 2024 | 2025 | 2026 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Expenditure to be incurred by the Group for the leasing of properties and land from Beijing Investment, its subsidiaries and/or associates | 7.6 | 7.6 | 7.6 |

2.3 Basis of determination of the proposed annual caps

The above estimated annual caps for the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement between the Group and Beijing Investment, its subsidiaries and/or associates for the next three years were mainly based on the following factors:

- (a) The office rentals in Beijing remain at a relatively high level and the possibility of rental growth and the rate of such growth in the coming years, the office rental market in Beijing will remain at a relatively high level in the future, especially in the city center and commercial districts; and
- (b) Benefiting from the positive investment environment for future growth in the PRC urban rail transit industry, the Company's demand for additional office buildings and operating premises has increased due to its business growth.

3. Reasons for and Benefits of Entering into the Property and Land Leasing Framework Agreement

Entering into the Property and Land Leasing Framework Agreement may be conducive to obtaining long-term property use rights for the Group, thus avoiding unnecessary interruption of operation due to the relocation of the Group and ensuring the long-term development and continuous operation of the Group. At the same time, it is in the commercial interest of the Group to enter into the Property and Land Leasing Framework Agreement to reduce the costs from initial establishment, such as internal renovation and lease renewal fees (in the case of short-term leases).

The Directors of the Company (including independent non-executive Directors) are of the view that the Property and Land Leasing Framework Agreement has been entered into on normal commercial terms and is fair and reasonable, though not in the ordinary and usual course of business of the Group, and is in the interests of the Company and its Shareholders as a whole.

IV. 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 Property and Land Leasing Framework Agreement, 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 and the Property and Land Leasing Framework Agreement between the Group and Beijing Investment, its subsidiaries and/or associates being in compliance with the pricing policies 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 arrangements and actual transaction amounts specified in individual service contracts under the Integrated Services Framework Agreement and the Property and Land Leasing 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 and the Property and Land Leasing Framework Agreement, whether the price conforms 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 conforms 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 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 and the Property and Land Leasing Framework Agreement to ensure that such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditors of the Company would also conduct an annual review on the pricing terms and annual caps of such continuing connected transactions.

V. 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 14.83% of the total issued Shares of the Company. Beijing Investment Company is one of the substantial shareholders of the Company and constitutes a connected person under Chapter 14A of the Listing Rules. The Integrated Services Framework Agreement, the Property and Land Leasing Framework Agreement and the transactions contemplated under such agreements 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 construction contracting services by the Group to Beijing Investment, 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 survey, design and consultancy services and construction contracting services by Beijing Investment, its subsidiaries and/or associates to the Group contemplated under the Integrated Services Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions and such proposed annual caps shall be subject to the reporting, announcement and annual review requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the leasing of properties and land by Beijing Investment, its subsidiaries and/or associates to the Company contemplated under the Property and Land Leasing Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions and such proposed annual caps shall be subject to the reporting, announcement and annual review requirements but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Peng Dongdong serves as the deputy general manager of the investment and development department of Beijing Investment Company and Mr. Li Fei serves as the senior investment manager of the investment and development department of Beijing Investment Company, Mr. Peng Dongdong and Mr. Li Fei are deemed to be materially interested in the Integrated Services Framework Agreement and the Property and Land Leasing Framework Agreement, and therefore, they have 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.

VI. 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 and construction contracting services by the Group to Beijing Investment, 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 and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2026. The Company has also appointed Merdeka Corporate Finance Limited as 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 and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2026; (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. 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.

VII. 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. The ultimate beneficial owner of Beijing Investment Company is the People's Government of Beijing Municipality.

VIII. DEFINITIONS

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| “associate(s)” | shall have the meaning ascribed to it under the Listing Rules |
| “Beijing Investment” or “Beijing Investment Company” | Beijing Infrastructure Investment Co., Ltd., a substantial shareholder of the Company |
| “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) |
| “connected person(s)” | shall have the meaning ascribed to it under the Listing Rules |
| “Director(s)” | director(s) of the Company |

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| “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 |
| “Existing Integrated Services Framework Agreement” | the Integrated Services Framework Agreement entered into by the Company and Beijing Investment Company on 10 March 2021, effective from 1 January 2021 to 31 December 2023 |
| “Group” | the Company and its subsidiaries |
| “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 |
| “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 Guofeng, Mr. Qin Guisheng, Mr. Ma Xufei and Mr. Xia Peng, which was established to advise the Independent Shareholders in relation to the terms of the Integrated Services Framework Agreement and the proposed annual caps for revenue of the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2026 |
| “Independent Financial Adviser” | Merdeka Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Integrated Services Framework Agreement and the transactions contemplated thereunder |

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| “Independent Shareholders” | Shareholders other than those required by the 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 the proposed annual caps for the continuing connected transactions contemplated thereunder |
| “Integrated Services Framework Agreement” | the Integrated Services Framework Agreement entered into by the Company with Beijing Investment Company, effective from 1 January 2024 to 31 December 2026 |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “MTR Construction” | Beijing MTR Construction Administration Corporation (北京市軌道交通建設管理有限公司) |
| “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 |
| “Property and Land Leasing Framework Agreement” | the Property and Land Leasing Framework Agreement entered into by the Company with Beijing Investment Company, effective from 1 January 2024 to 31 December 2026 |
| “RMB” | Renminbi, the lawful currency of the PRC |

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

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

Beijing, 19 December 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.