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北京城建设计发展集团股份有限公司

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

Beijing Urban Construction Design & Development Group Co., Limited

北京城建设计发展集团股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1599)

ANNOUNCEMENT

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

References are made to the announcement and circular of the Company dated 8 December 2016 and 20 January 2017, respectively, in relation to, among others, (i) conclusion of the integrated services framework agreement; and (ii) setting of the annual caps for the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement for the three years ending 31 December 2019, which were entered into between the Company and the BUCG.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

As the integrated services framework agreement as well as the annual caps for the continuing connected transactions thereunder are due to expire on 31 December 2019, the Company has, on 8 November 2019, renewed the agreement with BUCG for a further term of three years commencing from 1 January 2020 and ending on 31 December 2022, and set the annual caps for the continuing connected transactions, for both revenue and expenditure, contemplated thereunder for the next three years ending 31 December 2022.

Further, as the annual caps for the continuing connected transactions under the Property and Land Leasing Framework Agreement are due to expire on 31 December 2019, the Board has resolved for the annual caps for such continuing connected transactions contemplated thereunder for the next three years ending 31 December 2022.

HONG KONG LISTING RULES IMPLICATIONS

BUCG directly and indirectly holds an aggregate of 42.34% interest in the Company and is the controlling shareholder of the Company, therefore constituting a connected person under Chapter 14A of the Hong Kong Listing Rules as at the date of this announcement. Accordingly, the Integrated Services Framework Agreement and the Property and Land Leasing Framework Agreement entered into between the Group and BUCG and the transactions contemplated under such agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement is higher than 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group under the Integrated Services Framework Agreement is higher than 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

EXTRAORDINARY GENERAL MEETING

The Company will convene an extraordinary general meeting for the purposes of, among other things, obtaining the Independent Shareholders' approval for the continuing connected transactions contemplated under the Integrated Services Framework Agreement and the proposed annual caps. BUCG, its subsidiaries and/or associates will abstain from voting on the resolution in this regard at the extraordinary general meeting.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2022. An independent financial adviser has also been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the same matters.

A circular containing, among other things, (i) further details of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2022; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of the extraordinary general meeting of the Company, is expected to be despatched to the Shareholders before 29 November 2019.

I. INTRODUCTION

References are made to the announcement and circular of the Company dated 8 December 2016 and 20 January 2017, respectively, in relation to, among others, (i) conclusion of the integrated services framework agreement; and (ii) setting of the annual caps for the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement for the three years ending 31 December 2019, which were entered into between the Company and BUCG.

II. RENEWAL OF INTEGRATED SERVICES FRAMEWORK AGREEMENT

1. The Proposed Renewal to the Integrated Services Framework Agreement

As the integrated services framework agreement as well as the annual caps for the continuing connected transactions thereunder will expire on 31 December 2019, the Company has, on 8 November 2019, renewed the Integrated Services Framework Agreement with BUCG for a further term of three years commencing from 1 January 2020 and ending on 31 December 2022 on the same terms and conditions, the principal terms of which are summarized as follows:

Parties	The Company BUCG
Term of the Agreement	For a term of three years from 1 January 2020 to 31 December 2022

**Principal Terms and
Conditions**

Pursuant to the Integrated Services Framework Agreement proposed to be renewed:

- (a) The integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group include but not limited to engineering construction related services, including but not limited to provision of labour, supply of raw materials, equipment leasing; and training services and other services required by the Group to carry out its business.
- (b) The integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates include but not limited to: (i) services relating to construction survey, design and consultancy, including but not limited to measurement, test, inspection of construction drawings, as well as training services and other services required by BUCG, its subsidiaries and/or associates to carry out their businesses; and (ii) project sub-contracting and/or specialised services, including but not limited to project management and equipment leasing services, etc., pursuant to Situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement.
- (c) The parties agree that the transaction shall be consummated in line with the applicable general market practice (if any) and on normal commercial terms.

- (d) The parties are entitled to choose the counterparty of the transaction, i.e. to provide services to, or obtain services from, any third parties (other than in the circumstances specified in paragraph (e) below). Meanwhile, BUCG, its subsidiaries and/or associates shall provide services to the Group on terms and conditions no less favourable than those offered to independent third parties under similar circumstances and shall not request the Group to provide services on terms and conditions more favourable than those offered to the independent third parties by the Group.
- (e) Notwithstanding any other provisions of the agreement, in respect of the awarded projects cooperated with and/or bid by BUCG under the Situations (2) and (3) as set out in the Supplemental Agreement II to the Non-competition Agreement, BUCG shall, in accordance with the terms of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded projects bid by BUCG for the Company to the Group and/or enter into such other ways of cooperation, including but not limited to project management services and/or equipment leasing services, etc., as permitted by the project owner on a no profit basis to BUCG.

Pricing Policy

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

- (a) Price prescribed by the government if available;
- (b) Where there is no government-prescribed price, then the government-guided price (if available) taking into account market factors; or
- (c) Where there is neither government-prescribed price nor government-guided price, then the price determined through tender process or other available market price.

The “market price” shall be determined in the following order: (1) the price charged by independent third parties who offer the same type of services under normal commercial terms in the ordinary and usual course of business at or near the area where such services are provided with reference to at least two independent third parties who provide the same or similar type of services under same conditions; or (2) where (1) is inapplicable, the price charged by independent third party(ies) who offer the same type of services under normal commercial terms in the ordinary and usual course of business in the PRC with reference to at least two independent third parties who provide the same or similar type of services under same conditions; or

- (d) Where none of the above is available or where none of the above transaction rules is applicable in the actual transaction, then the contractual price.

The “contractual price” shall be determined on the basis of “reasonable cost + reasonable profit”. Among which, the “reasonable cost” means the cost confirmed by both parties after negotiations and as permitted by the relevant accounting principles of the PRC (inclusive of sales tax and surcharges); and “reasonable profit” means the profit calculated based on reasonable costs under market practice.

(e) The price of the relevant project sub-contracting arrangements and/or specialised services, if required, to be provided by the Group to BUCG, pursuant to Situations (2) and (3) set out in the Supplemental Agreement II to the Non-competition Agreement, shall be determined as follows:

(i) The price of the sub-contracting arrangements shall be the contractual price attributable to part or parts of the awarded contract sub-contracted to the Group on a no profit basis to BUCG under the contract awarded to BUCG in Situations (2) and (3) as set out in the Supplemental Agreement II to the Non-competition Agreement; and/or

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

**Payment
Arrangements**

The parties shall pay the service fees to each other upon completion of the relevant services in accordance with the provisions of the individual service agreement to be entered into by the parties under the Integrated Services Framework Agreement proposed to be renewed.

Implementation Agreements

During the term of the Integrated Services Framework Agreement proposed to be renewed, members of the Group and BUCG, its subsidiaries or associates will enter into, from time to time and as necessary, individual service contract for each of the specific transactions contemplated under such framework agreement (including such individual service contract entered into during the term of the existing Integrated Services Framework Agreement which has an expiring date within the term of the Integrated Services Framework Agreement proposed to be renewed), provided that any such individual service contract shall be within the ambit of, and shall not contravene the principles or any provisions as agreed by the parties in, the Integrated Services Framework Agreement proposed to be renewed.

2. Proposed Annual Caps for the Three Years Ending 31 December 2022

2.1 Historical transaction amounts

Set out below is the historical transaction amounts in respect of the mutual provision of integrated services between the Group and BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement for the preceding two years ended 31 December 2018 and the six months ended 30 June 2019:

	Approximate historical transaction amounts for the financial years/six-month period ended		
	31 December 2017	31 December 2018	30 June 2019
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Revenue generated by the Group from providing integrated services to BUCG, its subsidiaries and/or associates	65.64	161.90	156.30
Expenditure incurred by the Group for provision of integrated services by BUCG, its subsidiaries and/or associates	132.55	64.21	42.59

2.2 Proposed annual caps for the three years ending 31 December 2022

The Company estimates the proposed annual caps for the continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement proposed to be renewed for the next three years ending 31 December 2022 as follows:

	Proposed annual caps for the years ending		
	31 December 2020	31 December 2021	31 December 2022
	(RMB million)	(RMB million)	(RMB million)
Revenue to be generated by the Group from providing integrated services to BUCG, its subsidiaries and/or associates	435	479	527
Expenditure to be incurred by the Group for provision of integrated services by BUCG, its subsidiaries and/or associates	1,770	1,947	2,142

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 integrated services to BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement proposed to be renewed for the next three years, the Company has made reference to the historical transaction figures as listed above and considered, among other things, the following key factors:

- (a) **Design, survey and consultancy services to be provided by the Company to BUCG, its subsidiaries and/or associates:** The design, survey and consultancy segment has been the traditional and core business of the Group. The Company expects that the revenue from such services would continue to increase with the continued expansion of the business scope of the Group as well as expansion of the business of BUCG. For the past several years since 2017, revenue from the provision of design, survey and consultancy service to BUCG, its subsidiaries and/or associates was between RMB30.58 million to RMB78.39 million, but revenue for the

provision of such services to BUCG is expected to increase to approximately RMB119.42 million, RMB108.99 million and RMB107.00 million for the three financial years ending 31 December 2022, respectively.

- (b) **Construction contracting services to be provided by the Group to BUCG, its subsidiaries and/or associates:** The Company expects that the revenue from such services would increase with the commitment of the Group to expand the geographical coverage of construction contracting projects. For the past several years since 2017, revenue from the provision of construction contracting services to BUCG, its subsidiaries and/or associates was between RMB25.72 million to RMB31.84 million, but revenue for the provision of such services to BUCG is expected to increase to approximately RMB308.50 million, RMB184.50 million and RMB81.00 million for the three financial years ending 31 December 2022, respectively.
- (c) **Other potential projects:** Investments by the PRC government, both the central and local governments, in urban infrastructure are expected to continue to grow steadily in the near future. Given the dominant position of BUCG in the construction general contracting and investment construction sector, the Company expects to continue to work closely with BUCG in the areas of urban development, municipal engineering and construction design consultation in the Beijing-Tianjin-Hebei region, in the circumstances specified in the Supplemental Agreement II to the Non-competition Agreement. To provide for further potential projects to be obtained by BUCG on the Company's behalf in such circumstances, the Company has included a buffer of 10% increase for the year ending 31 December 2021 based on the estimated annual cap for the year of 2020 and a 10% increase for the year of 2022 based on the estimated annual cap for the year of 2021 in its estimation of the annual caps of revenue from BUCG, its subsidiaries and/or associates.

2.3.2 Expenditure

When estimating the annual caps for the expenditure to be incurred for the provision of integrated services by BUCG, its subsidiaries and/or associates to the Group under the Integrated Services Framework Agreement proposed to be renewed for the next three years, the Company has made reference to the historical transaction figures as listed above and the new contracts obtained by the Group in 2019. The key factors considered are:

- (a) **The expenditures incurred and to be incurred for the construction projects and PPP projects obtained by the Company:** Among these projects, the major projects include: PPP project of Line T2 of modern tramcar in Shunyi, PPP project of the Infrastructure of East Huangshan International Town, Part B of Kunming Rail Transit Line 4 PPP Project, PPP Project of Construction of Nanjing Pukou Linxi Road, renovation project for office area of headquarters, Beijing new airport express project and Guangzhou Metro Line 10 Project. The Company estimates that the expenditures incurred by all the projects for the six months ended 30 June 2019 are RMB41.28 million, and the estimated expenditures to be incurred for the three financial years ending 31 December 2022 are RMB1,658.73 million, RMB1,345.90 million and RMB185.87 million, respectively.
- (b) **The expenditures to be incurred for potential EPC and PPP projects which the Company may obtain in the next three years:** The Company has taken into account upcoming potential EPC and PPP projects which are already publicly known and which the Company would bid for and may obtain in the near future. For these projects, BUCG, its subsidiaries and/or associates will continue to provide integrated services to the Group and annual expenditures would be incurred for the provisions of such services. Among these projects, the Company estimates that it would be successful in obtaining one project in the next three financial years. These potential upcoming projects include the Huangshan Urban Tourism Railway Project in Anhui province with estimated expenditures of approximately RMB105.00 million, RMB130.00 million and RMB115.00 million respectively for the three financial years ending 31 December 2022, respectively for the integrated services to be provided for the Project by BUCG, its subsidiaries and/or associates to the Group.

- (c) **Other potential urban transit projects in the next three financial years:** As stated in the Company's 2018 annual report, the General Office of the State Council of the People's Republic of China issued the Opinions on Further Strengthening Management of Urban Rail Transit Planning and Construction (Guo Ban Fa [2018] No. 52) as a new policy document, which raised the relevant economic indicators and declaration requirements for the construction of metro and light rails, and clarified the future trend of coordinated development of urban rail transit. Under such situation, the Company expects that investments by the government in urban transit projects will continue in the next three financial years which will provide more business opportunities for the Group resulting in increased expenditures for the integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group. The Company has therefore included an annual increase of 10% on the estimation of annual caps for the expenditures for the years of 2021 and 2022 based on the estimation of annual cap for the previous year so as to accommodate further projects which the Group may successfully obtain during the first two years ending 31 December 2022 and which would require the integrated services of BUCG, its subsidiaries and/or associates.

2.4 Internal control measures

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

The Company has formulated relevant Administrative Measures on Connected Transactions, in accordance with supervisory requirements of Hong Kong Stock Exchange in respect of connected transactions and continuing connected transactions and with reference to actual situation of the Company, which implements strict regulation from aspects of identification of connected transactions, procedure of review and approval, report, supervision and management and related information disclosure.

To ensure the relevant continuing connected transactions contemplated under the Integrated Services Framework Agreement between the Group and BUCG, its subsidiaries and/or associates being in compliance with the pricing policy thereunder, especially when the relevant service price is determined on the basis of market price, the Group has adopted and will continue to strengthen the following specific measures:

- (a) The Department of Board Secretary is responsible for collecting detailed data in respect of above-mentioned continuing connected transactions on a regular basis, including but not limited to pricing terms, payment arrangement and actual transaction amounts specified in individual service contracts under the Integrated Services Framework Agreement; the Legal and Audit Department and the Financial Department of the Company shall assist in reviewing and controlling the specific terms, conditions and actual transaction amounts of such continuing connected transactions.
- (b) Senior management of the Company and its subsidiaries is responsible for supervising whether the transaction terms, pricing and other terms specified in individual service contracts are in compliance with the principles set out in the Integrated Services Framework Agreement, whether the price conformed with relevant pricing requirements if the service applies price prescribed by the government, government-guided price or price determined through tender process and whether the price conformed with the range of the then market price applicable to same type of services if the service price is based on the market price, as well as evaluating the fairness of the transaction terms and pricing terms, and reporting relevant information to the Board in time.
- (c) The Board is responsible for inspecting and supervising the control on connected transactions of the Company, as well as the execution of control system of connected transactions by the Directors, senior management and connected persons of the Company.
- (d) In addition, the independent non-executive Directors have reviewed and would continue to review the continuing connected transactions contemplated under the Integrated Services Framework Agreement to ensure that such agreement is entered into on normal commercial terms, is fair and reasonable, and is carried out pursuant to the terms of such agreement. The auditors of the Company would also conduct an annual review on the pricing terms and annual caps of such continuing connected transactions.

3. Reasons for and Benefits of the Renewal of the Integrated Services Framework Agreement

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

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

The Directors (excluding the independent non-executive Directors, whose view on the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions thereunder will be set out in the circular after considering the advice from the independent financial adviser) are of the view that the Integrated Services Framework Agreement proposed to be renewed and the continuing connected transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions, both revenue and expenditure, contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

III. THE PROPERTY AND LAND LEASING FRAMEWORK AGREEMENT

1. Background

In order to regulate the continuing connected transactions in respect of leasing of property and land between the parties, the Company and BUCG, its subsidiaries or associates entered into the Property and Land Leasing Framework Agreement on 18 June 2014 for a term of 10 years commencing from 18 June 2014 and expiring on 17 June 2024.

References are made to the announcement and circular of the Company dated 8 December 2016 and 20 January 2017, respectively, in relation to, among others, that the Company set the annual caps for the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement for the three years ending 31 December 2019. Since the above-mentioned annual caps under the Property and Land Leasing Framework Agreement will expire on 31 December 2019, in accordance with the relevant requirements of the Hong Kong Listing Rules, the Board has resolved to set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2022.

2. Property and Land Leasing Framework Agreement

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

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

**Principal Terms and
Conditions**

Pursuant to the Property and Land Leasing
Framework Agreement:

- (a) BUCG, its subsidiaries and/or associates agreed to lease the Leased Properties to the Group exclusively for office and operation uses. Details of the Leased Properties are as follows:
 - (i) Tower One, Building No. 6, Wu Qu, An Hui Lane, Chaoyang District, Beijing and the corresponding land with a GFA of approximately 4,200 sq.m. for the building and a site area of approximately 5,333 sq.m. for the land at a rental price of approximately RMB0.96 million per year;
 - (ii) Office Building located at No. 7 Toutiao, Nan Lishi Road, Xicheng District, Beijing and the corresponding land with a GFA of approximately 8,000 sq.m. for the building and a site area of approximately 6,027 sq.m. for the land at a rental price of RMB11.00 million per year; and
 - (iii) Rooms A606–608, A610–11 and B606–09, 6/F, Chengjian Mansion Office Tower, No. 18 North Taipingzhuang Road, Haidian District, Beijing with a GFA of approximately 1,156 sq.m. at a rental price of approximately RMB1.65 million per year.

- (b) As agreed by the parties, other than the Leased Properties listed above, during the term of the Property and Land Leasing Framework Agreement, the Group has the right to lease additional properties and land from BUCG, its subsidiaries and/or associates in accordance with the terms and conditions of the Property and Land Leasing Framework Agreement.
- (c) BUCG shall ensure and/or procure the property management companies to maintain proper management of the Leased Properties, including but not limited to inspection and repair of the Leased Properties and relevant public facilities to keep them in good condition.
- (d) BUCG has agreed to indemnify the Company against any loss or damage the Company may suffer or incur as a result of any issues relating to the title arising from use of the Leased Properties.
- (e) The Group may, at any time during the term of the Property and Land Leasing Framework Agreement, by giving not less than six months' written notice, terminate any lease made pursuant to and comprised under such agreement.

**Determination and
Payment of Rentals
and Other Charges**

Pursuant to the Property and Land Leasing Framework Agreement, the rentals and other charges shall be determined and paid as follows:

- (a) Both parties shall review and adjust the rentals every three years during the term of the Property and Land Leasing Framework Agreement by reference to the prevailing market rate.

- (b) Any downward adjustment in rentals for the Leased Properties may be discussed between the parties at any time during the term of the Property and Land Leasing Framework Agreement notwithstanding the normal three-year rental adjustment mechanism as described above.
- (c) The Group shall also be responsible for all utility charges, property management fee (if applicable) and other miscellaneous expenses (including water, electricity, air conditioning, etc., but excluding property tax) incurred in using the Leased Properties.
- (d) The rentals in respect of the Leased Properties shall be paid by the Group on a yearly and quarterly basis to BUCG, its subsidiaries and/or associates, details of which shall be specified in the individual lease agreement entered into between the parties under the Property and Land Leasing Framework Agreement.
- (e) Payment of the utility charges, property management fee and other miscellaneous expenses shall be specified in the individual lease agreement entered into between the parties under the Property and Land Leasing Framework Agreement.

Implementation Agreements

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

3. Proposed Annual Caps for the Three Financial Years Ending 31 December 2022

3.1 Historical transaction amounts

Set out below is the historical transaction amounts (consisting of rentals and other charges such as property management fees) between the Group and BUCG, its subsidiaries and/or associates under the Property and Land Leasing Framework Agreement for the preceding two years ended 31 December 2018 and the six months ended 30 June 2019:

Approximate historical transaction amounts for the financial years/six-month period ended			
31 December 2017	31 December 2018	30 June 2019	
<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	
Expenditure incurred by the Group for leasing the property and land from BUCG, its subsidiaries and/ or associates			
14.99	15.43	7.89	

3.2 Proposed annual caps for the three years ending 31 December 2022

The Company estimates the annual caps for the continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Property and Land Leasing Framework Agreement for the next three years ending 31 December 2022 as follows:

Proposed annual caps for the years ending			
31 December 2020	31 December 2021	31 December 2022	
<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	
Expenditure to be incurred by the Group for leasing properties and land from BUCG, its subsidiaries and/or associates			
18	18	21	

3.3 Basis of determination of the proposed annual caps

The above estimated annual caps for the continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Property and Land Leasing Framework Agreement for the next three years were mainly determined with reference to the historical transaction figures as listed above and after taking into consideration the following factors:

- (a) the growth rate of office rentals in Beijing and the possibility of rental growth and the rate of such growth in the upcoming years, for example, Beijing Grade A office rental levels experienced an average annual rental growth of approximately 3.13% in the past three years from approximately RMB323 per sq.m. per month to approximately RMB356 per sq.m. per month according to the latest statistics issued by China Office Research Center;
- (b) the inflation and improvement of living standards in the PRC;
- (c) benefiting from the positive investment environment for future growth in the PRC urban rail transit industry, the Group's increase in demand for additional office and business premises due to the growth of its business and the potential new leases that the Group may enter into with BUCG, its subsidiaries and/or associates; and
- (d) the inclusion of a buffer for the estimated amount in respect of expenditure to be incurred by the Group for leasing properties and land from BUCG, its subsidiaries and/or associates for the year of 2022 so as to accommodate any unexpected increase in the above-mentioned transaction amount as a result of any unexpected increase in the market rate during the year.

4. 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, thereby avoiding unnecessary suspension of operation arising from relocation of the Group, and ensuring long-term development and continuous operation of the Group. Meanwhile, entering into the Property and Land Leasing Framework Agreement, which may reduce the cost from initial establishment, such as internal renovation and lease renewal fees (if being short-term leasing), is in the commercial interests of the Group.

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Property and Land Leasing Framework Agreement and the proposed annual caps for the three years ending 31 December 2022 are in the ordinary and usual course of business of the Group and on normal commercial terms, and are fair and reasonable, and are in the best interests of the Shareholders and the Company as a whole.

IV. HONG KONG LISTING RULES IMPLICATIONS

BUCG directly and indirectly holds an aggregate of 42.34% interest in the Company and is the controlling Shareholder of the Company, therefore constituting a connected person under Chapter 14A of the Hong Kong Listing Rules as at the date of this announcement. Accordingly, the Integrated Services Framework Agreement and the Property and Land Leasing Framework Agreement entered into between the Group and BUCG and the transactions contemplated under such agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement is higher than 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group under the Integrated Services Framework Agreement is higher than 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The following Directors, being Mr. Shi Yubin, Ms. Wu Donghui and Mr. Tang Shuchang, are all employed under BUCG. Therefore, they are deemed to have material interest in all the above-mentioned continuing connected transactions contemplated between the Group and BUCG, its subsidiaries and/or associates and thus have abstained from voting on the relevant resolutions at the Board meeting. Save as mentioned above, none of the other Directors has a material interest in such transactions and is required to abstain from voting on the relevant resolutions at the Board meeting.

V. GENERAL INFORMATION

Information on the Company

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

Information on BUCG

BUCG is a wholly state-owned enterprise under the Beijing Municipal People's Government established as a limited liability company, which is principally engaged in the construction contracting, real estate development and design and consultation businesses.

VI. EXTRAORDINARY GENERAL MEETING

The Company will convene an extraordinary general meeting for the purposes of, among other things, obtaining the Independent Shareholders' approval for the renewal of the Integrated Services Framework Agreement and the proposed annual caps for the continuing connected transactions, both revenue and expenditure, contemplated thereunder for the three years ending 31 December 2022. BUCG, its subsidiaries and/or associates will abstain from voting on the resolution in this regard at the extraordinary general meeting.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2022. An independent financial adviser has also been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the same matters.

A circular containing, among other things, (i) further details of the Integrated Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2022; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of the extraordinary general meeting of the Company, is expected to be despatched to the Shareholders before 29 November 2019.

VII. DEFINITIONS

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

“associate(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“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% interest in the Company and a wholly state-owned enterprise under the Beijing Municipal People’s Government
“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
“controlling shareholder(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company

“EPC”	engineering, procurement, and construction
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“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 Dexing, Mr. 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 renewed and the proposed annual caps for the continuing connected transactions contemplated thereunder, for both revenue and expenditure, for the three years ending 31 December 2022
“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 renewal 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 between the Company and BUCG on 8 November 2019

“Leased Properties”	the properties and land leased by BUCG, its subsidiaries and/or associates to the Group exclusively for office and operation uses under the Property and Land Leasing Framework Agreement including three properties occupying a total GFA of approximately 13,356 sq.m. and relevant land occupying a total site area of approximately 11,360 sq.m., which are located in Beijing, the PRC
“Non-competition Agreement”	the non-competition agreement entered into by BUCG and the Company on 24 January 2014, as amended by the Supplemental Agreement I to the Non-competition Agreement signed by the parties on 16 June 2014
“PPP”	“Public-Private-Partnership” mode
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement only, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Property and Land Leasing Framework Agreement”	the property and land leasing framework agreement entered into between the Company and BUCG on 18 June 2014
“Shareholder(s)”	holders of the Shares of the Company
“sq.m.”	square meter
“subsidiary(ies)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Supplemental Agreement I to the Non-competition Agreement”	the supplemental agreement entered into by BUCG and the Company on 16 June 2014 to amend the non-competition agreement entered into by BUCG and the Company on 24 January 2014

“Supplemental Agreement
II to the Non-competition
Agreement”

the second supplemental agreement entered into between BUCG and the Company on 29 October 2015 to amend the Non-competition Agreement, which was entered into by BUCG and the Company on 24 January 2014 as amended by the first supplemental agreement on 16 June 2014

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

Beijing, 8 November 2019

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.