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北京城建设计发展集团股份有限公司

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

Beijing Urban Construction Design & Development Group Co., Limited
北京城建设计发展集团股份有限公司

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

(Stock Code: 1599)

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION:
ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE
RESIDENTIAL INSTITUTE**

The Board is pleased to announce that, the Company entered into the Equity Transfer Agreement with BUCC on 22 February 2022 in relation to the acquisition of the entire equity interest in the Residential Institute.

As the profit ratio of the transaction regarding the acquisition of the entire equity interest in the Residential Institute under the Equity Transfer Agreement exceeds 5% but is lower than 25%, the transaction constitutes a discloseable transaction of the Company, which is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, BUCG is the controlling Shareholder of the Company holding directly and indirectly an aggregate of 42.34% interest of the Company. BUCC is a wholly-owned subsidiary of BUCG. Accordingly, BUCC is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and the acquisition of the entire equity interest in the Residential Institute by the Company pursuant to the Equity Transfer Agreement will constitute a connected transaction of the Company.

As the highest applicable percentage ratio of the connected transaction regarding the acquisition of the entire equity interest in the Residential Institute under the Equity Transfer Agreement exceeds 0.1% but is less than 5%, such transaction is subject to the reporting, announcement and annual review requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

INTRODUCTION

The Board is pleased to announce that, the Company entered into the Equity Transfer Agreement with BUCC on 22 February 2022 in relation to the acquisition of the entire equity interest in the Residential Institute.

THE EQUITY TRANSFER AGREEMENT

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

Date of agreement

22 February 2022

Parties to the agreement

Transferor: BUCC

Transferee: the Company

Transfer subject

The transfer subject is the 100% equity interest in the Residential Institute held by BUCC. Established in 1983, the Residential Institute is primarily engaged in the architectural design business providing comprehensive design consulting services ranging from industry planning, planning and design, architectural design, project management to operation and maintenance management. As at 31 December 2021, the Residential Institute had audited total assets of RMB229,214,200. Below summarises its audited financial data for the years ended 31 December 2021 and 31 December 2020:

	<i>(Unit: RMB ten thousand)</i>	
	2021	2020
Total revenue	27,784.33	26,417.05
Total profit	6,825.85	1,828.36
Net profit	5,898.09	1,626.19

Consideration and payment method

The consideration for the transfer subject is RMB69,769,600, which shall be payable in a lump sum to the designated settlement account of the transferor within 3 working days after the Equity Transfer Agreement becoming effective.

Basis of determining the consideration

The consideration for the equity transfer was based on the valuation report issued by Vocation (Beijing) International Asset Appraisal Co., Ltd. Due to the fact that the Residential Institute has established for a relatively long period of time with comparatively steady historical annual results, its expected future income is predictable and can be measured by currency and its risks exposure to the expected future income is also measurable, the income approach has been adopted for the consideration for the equity transfer in assessing the value of the subject of valuation.

As at 31 December 2021, the carrying value of the owners' equity of the Residential Institute included in the scope of valuation was RMB56,610,800. The valuation results under the income approach were adopted as the final valuation conclusion: On the premise of going concern, the value of all shareholders' equities of the Residential Institute was RMB69,769,600 with an appreciation in value of RMB13,158,900, representing an appreciation rate of 23.24%.

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

(i) Basic assumptions

- (1) Transaction assumption, which assumes that all the assets and liabilities to be valued are already in the process of transaction, and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued. Transaction assumption is the most basic assumption for asset valuation;
- (2) Open market assumption, which assumes that the parties to an asset trading or a proposed asset trading in the market are dealing with each other at arm's length and have the opportunities and time to obtain sufficient market information to make rational judgments as to the function, usage and trading price of the asset;
- (3) Assumption of continuous use of assets, which assumes that the appraisal methods, parameters and bases are to be determined in accordance with the condition that the assets being evaluated will continue to be used in consistent with their current function, method, scale, frequency and environment, or used on the basis of certain changes; and
- (4) Corporate going concern assumption, which assumes that the appraised entity will not cease operation for any reason in the foreseeable future, but will continue to operate lawfully and maintain operation using the same operation methods as it currently does, with its existing assets and resources.

(ii) General assumptions

- (1) It is assumed that there will be no significant changes to the relevant prevailing laws, regulations and policies, or macro-economic situations in the PRC as well as the political, economic and social environment of regions where the parties to the transaction are located;
- (2) It is assumed that there will be no significant changes in the interest rate, exchange rate, taxation base and tax rate, policy-imposed levies and inflation relating to the appraised entity subsequent to the valuation base date;
- (3) It is assumed that the management of the appraised entity is responsible, stable and capable of taking on its duties subsequent to the valuation base date;

- (4) Unless otherwise stated, it is assumed that the appraised entity fully complies with all relevant laws and regulations;
- (5) It is assumed that following the valuation base date, there will be no force majeure and unforeseeable events affecting the operation of the evaluated entity;
- (6) It is assumed that the appraised entity continues to operate and its assets continue to be used during the future benefit period; and
- (7) It is assumed that the accounting policies adopted by the appraised entity in the future of benefit will be consistent with those adopted at the valuation base date in material respects and are of continuity and comparability.

(iii) Specific assumptions

- (1) Except for the fixed assets investments for which there is definite evidence as of the valuation base date showing that the production capacity will change subsequently, it is assumed that the appraised entity will not make any significant fixed asset investments that would affect its operation in the future benefit period, and its production capacity will be assessed based on the status as at the valuation base date;
- (2) In this evaluation, the impact of the external equity investments made by the appraised entity following the valuation base date on its value is no considered;
- (3) It is assumed that the amount of taxable income of the appraised entity in the future benefit period is basically identical to its total profits, without significant permanent differences or adjustments resulting from timing differences;
- (4) It is assumed that in the future benefit period, the appraised entity will maintain similar turnovers of receivables and payables to those in the historical years, and there will be no significant differences in defaults in payments for goods as compared to those in the historical years;
- (5) It is assumed that the appraised entity will have steady operating cash inflows and outflows during the future benefit period without a concentration of revenue recognition at any point of time in the year; and
- (6) It is assumed that the appraised entity will continue to enjoy the preferential policy of additional tax deductions for research and development expenditures.

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

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

EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
Vocation (Beijing) International Asset Appraisal Co., Ltd.	A qualified valuer in the PRC
Ernst & Young	Certified Public Accountants

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

As at the date of this announcement, each expert:

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

Sharing of transaction costs

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

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT

The entering into of the Equity Transfer Agreement is conducive to improving the overall strength of the Company's design business in executing the requirement of the Beijing Municipal Committee and Government in relation to enterprise mergers and restructuring and in complementing the "14th Five-Year" plan of BUCG.

The Directors (including the independent non-executive Directors) are of the view that the Equity Transfer Agreement was entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms and conditions of the agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

Information on the Company

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

Information on BUCC

BUCC is principally engaged in real estate development and operation, EPC (engineering, procurement and construction) contracting for all kinds of industrial, energy, transportation, urban and civil engineering and construction projects, architectural design, building technology development and technological consulting. It is a wholly-owned subsidiary of BUCG, the controlling Shareholder of the Company. BUCG is a wholly state-owned company with limited liability and its principal businesses include construction contracting, real estate development and design consulting. Its ultimate beneficial owner is the Beijing Municipal People's Government.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As the profit ratio of the transaction regarding the acquisition of the entire equity interest in the Residential Institute under the Equity Transfer Agreement exceeds 5% but is lower than 25%, the transaction constitutes a discloseable transaction of the Company, which is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

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

DEFINITIONS

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

“Board”	the board of Directors of the Company
“BUCC”	Beijing Uni.-Construction Group Co., Ltd.* (北京住總集團有限責任公司), a wholly-owned subsidiary of BUCG
“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), the controlling Shareholder of the Company holding 42.34% equity interest in the Company, and a wholly state-owned enterprise under the Beijing Municipal 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 incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1599)
“connected person(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Company and BUCC on 22 February 2022
“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
“percentage ratio(s)”	percentage ratio(s) as defined in Rule 14A.06(30) of the Hong Kong Listing Rules
“PRC”	the People’s Republic of China

“Residential Institute”	Beijing Institute of Residential Building Design & Research Co., Ltd. (北京市住宅建築設計研究院有限公司), a wholly-owned subsidiary of BUCC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of H share(s) and domestic share(s) of the Company
“%”	per cent

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

Beijing, 22 February 2022

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, Wu Donghui, Shi Huaxin, Guan Jifa, Ren Yuhang, Su Bin, Wang Tao and Ren Chong; and the independent non-executive Directors of the Company are Wang Guofeng, Ma Xufei, Sun Maozhu, Liang Qinghuai and Qin Guisheng.

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

22 February 2022

The Directors

Beijing Urban Construction Design & Development Group Co., Limited
5 Fuchengmen North Street, Xicheng District,
Beijing, China

Dear Sirs,

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 17 January 2022 prepared by Vocation (Beijing) International Asset Appraisal Co., Ltd. in respect of equity interest in Beijing Institute of Residential Building Design & Research Co., Ltd. (北京市住宅建築設計研究院有限公司) and its subsidiaries, Tianjin Anqiju Construction Technology Co., Ltd.* (天津安其居建築科技有限公司) and Beijing Uni.-Construction Bodi Landscape Development Co., Ltd.* (北京住總博地園林發展有限公司) (the “**Target**”) as at 31 December 2021 is based. The valuation is set out in the announcement of Beijing Urban Construction Design & Development Group Co., Limited (the “**Company**”) dated 22 February 2022 (the “**Announcement**”) in relation to the acquisition of the entire equity interest in the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors.

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Ernst & Young
Certified Public Accountants
Hong Kong

* *for identification purposes only*

APPENDIX II LETTER FROM THE BOARD OF THE COMPANY ON THE PROFIT FORECAST OF THE RESIDENTIAL INSTITUTE



北京城建设计发展集团股份有限公司

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

Beijing Urban Construction Design & Development Group Co., Limited

北京城建设计发展集团股份有限公司

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

(Stock Code: 1599)

Dear Sir or Madam,

TRANSACTIONS CONTEMPLATED UNDER THE EQUITY TRANSFER AGREEMENT

We refer to the valuation report (the “**Valuation Report**”) prepared by Vocation (Beijing) International Asset Appraisal Co., Ltd. (the “**Valuer**”) in relation to the valuation of entire equity interest in Beijing Institute of Residential Building Design & Research Co., Ltd. (北京市住宅建筑设计研究院有限公司) as at the valuation base date (i.e. 31 December 2021). The valuation adopted the income approach, and therefore is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have considered various aspects of the valuation, including the bases and assumptions of preparation of the valuation, and have reviewed the valuation responsible by the Valuer. We have also considered the letter dated 22 February 2022 issued by Ernst & Young, the reporting accountant, in relation to whether, so far as the arithmetical accuracy of the calculations are concerned, the Forecast is properly prepared based on the assumptions set out in the Valuation Report. We have noticed that the calculations of the Forecast in the valuation are accurate and comply with the bases and assumptions set out in the Valuation Report.

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

By order of the Board

Beijing Urban Construction Design & Development Group Co., Limited

Pei Hongwei

Chairman

Beijing, 22 February 2022