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C CHENG HOLDINGS LIMITED
思城控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1486)

CONTINUING CONNECTED TRANSACTIONS
DESIGN AND BIM SERVICES
SUB-CONTRACTING FRAMEWORK AGREEMENT

DESIGN AND BIM SERVICES SUB-CONTRACTING FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 17 May 2019 in relation to, among others, the continuing connected transactions under the Previous Framework Agreement. The Previous Framework Agreement has been expired on 31 December 2020.

The Board announces that on 21 May 2021 (after trading hours), the Company and BMEDI, being one of the substantial shareholders of the Company, entered into the Framework Agreement, pursuant to which the parties thereto agreed that the Group shall provide design and BIM services to the BMEDI Group, with the scope of services including but not limited to architectural design, landscape design, town planning design, interior design and BIM consultancy services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BMEDI, through its wholly-owned subsidiary Beijing Design Group Company Limited, held approximately 27.57% of the issued share capital of the Company and therefore it was one of the substantial shareholders and a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement constitute continuing connected transactions and are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 17 May 2019 concerning the continuing connected transaction of the Company under the Previous Framework Agreement entered into between BMEDI and the Company.

The Previous Framework Agreement has been expired on 31 December 2020.

The Board is pleased to announce that on 21 May 2021 (after trading hours), the Company and BMEDI entered into the Framework Agreement.

THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are set out below:

Date

21 May 2021

Parties

- (1) the Company
- (2) BMEDI

As BMEDI, through its wholly-owned subsidiary, Beijing Design Group Company Limited, holds approximately 27.57% of the issued share capital of the Company, it is therefore one of the substantial shareholders and a connected person of the Company for the purposes of the Listing Rules.

Scope of Services

Subject to the terms of the Framework Agreement, the Group shall provide design and BIM services to the BMEDI, with the scope of services including but not limited to architectural design, landscape design, town planning design, interior design and BIM consultancy services.

Pricing Policy

The service fees to be paid by the BMEDI and charged by the Group shall be subject to further arm's length negotiations with regard to various factors including but not limited to the scope, type, complexity and duration of the design and BIM services and the resources required and shall be set out in the individual contracts to be entered into between the Group and the BMEDI, provided that such service fees charged by the Group for the design services shall be at a normal commercial rate equivalent to (or better to the Group than) the service fees charged by the Group when providing similar design services to independent third parties.

In determining the rates of service fees to be charged to the BMEDI before signing the individual contracts, the contractual price shall be determined based on the estimated costs of the project plus a profit margin which is referenced to relevant comparable services provided to independent third parties, and ensure that the rates of service fees chargeable to the BMEDI be commensurate with the rates of service fees chargeable to independent third parties and no less favourable than those for services provided to independent third parties by the Group.

The terms of the Framework Agreement were arrived at after arm's length negotiations between the Company and BMEDI. The Directors (including the independent non-executive Directors but excluding Mr. Liu Gui Sheng and Mr. Liu Yong who are also the Chairman and Vice General Manager of BMEDI, respectively) are of the view that the pricing mechanism of the service fees contemplated under the Framework Agreement is in line with the industry practice, and the basis of determination is fair and reasonable.

Term

The Framework Agreement shall be effective on 21 May 2021 and shall expire on 31 December 2022, unless otherwise terminated in accordance with the terms of the Framework Agreement.

Annual Caps

The table below sets out the proposed annual caps for the above continuing connected transactions between 2021 to 2022:

| Nature of transactions | Annual cap for the year ending 31 December (in RMB) | |
|-------------------------|--|--|
| | 2021 | 2022 |
| Design and BIM services | 10,000,000 (equivalent to approximately HK\$11,875,000) | 10,000,000 (equivalent to approximately HK\$11,875,000) |

The proposed annual caps for the two years ending 31 December 2022 were determined based on the anticipated demand from the BMEDI for the design and BIM services, taking into account the existing and anticipated projects covered by the BMEDI.

Internal control

In order to ensure that (i) the terms of the Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable to the Company and the Shareholders; and (ii) the service fees charged to the BMEDI are not less favourable to the Group than those offered to independent third parties, the Group has adopted the following measures:

- (i) the Company has assigned the operation department of the Company to supervise the continuing connected transactions contemplated under the Framework Agreement and to review and assess whether such continuing connected transactions are on normal commercial terms, fair and reasonable and are conducted in accordance with the terms of the Framework Agreement and to regularly update the market price for the purpose of considering whether the service fees charged for a specific transaction under the Framework Agreement are on normal commercial terms, fair and reasonable and in accordance with the aforementioned pricing policy;

- (ii) the operation department of the Company will review all the rates of service fees and pricing of the continuing connected transactions under the Framework Agreement in every six months interval to ensure that they are not less favourable to the Group than those offered to the independent third parties;
- (iii) the Company's external auditors will conduct annual review on the pricing and the annual cap of the continuing connected transactions under the Framework Agreement;
- (iv) the Company's audit committee will review the analysis report and the improvement measures prepared by the management of the Company in relation to the continuing connected transactions under the Framework Agreement; and
- (v) the independent non-executive Directors will conduct annual review on the implementation of the continuing connected transactions under the Framework Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

BMEDI is a leading multi-professional consultancy company in the People's Republic of China with over 60 years of history in the region. Its headquarter is in Beijing with 23 branch offices in other major cities of the region. Its business focuses on the design of municipal infrastructure including town planning, urban design, rail transportation, urban roadwork, bridges, integrated underground utilities and more. BMEDI is the leading consultant in numerous large scale national projects such as the Sub-center of Beijing City, Beijing New Airport, 2022 Winter Olympics Yanqing Division, Beijing-Tianjin-Hebei Railway System and Shenzhen Qianhai Project. It is active in new projects within the integrated development of Beijing, Tianjin and Hebei, and the development plan of the Guangdong-Hong Kong-Macau Big Bay Area.

As the Board considers that the co-operation between the Group and BMEDI under the Previous Framework Agreement has been satisfactory, the Board believes that the Framework Agreement will continue to create an integrated development opportunity for the Group. The Board considers that entering into the Framework Agreement with BMEDI will bring benefits in various aspects to the Company:

1. Increase in revenue through collaboration with BMEDI in their secured projects;

2. Better accessibility to government projects of the People's Republic of China through BMEDI network;
3. Better geographical coverage for business opportunities;
4. Synergy to provide integrated professional services to the clients; and
5. Synergy to capture business opportunities arising from integrated development of Beijing, Tianjin, Hebei, the Guangdong-Hong Kong-Macau Big Bay Area and the Belt and Road Initiative.

The Board believes that the Company's collaboration with BMEDI will increase revenue and enhance the long-term development of the Company.

INFORMATION ABOUT THE PARTIES

THE COMPANY

The Company was incorporated in the Cayman Islands with limited liability, the shares of which were listed on the GEM of the Stock Exchange on 20 December 2013 and the listing of the Company's shares was transferred from the GEM of the Stock Exchange to the Main Board of the Stock Exchange on 3 August 2015. The Group is engaged in the provision of comprehensive architectural and BIM design services.

BMEDI

BMEDI, through its wholly-owned subsidiary Beijing Design Group Company Limited, holds approximately 27.57% of the issued share capital of the Company.

Established in 1955, BMEDI is a wholly-owned subsidiary of Beijing Enterprises Group Company Limited, possessing grade A integrated qualifications in engineering design and engineering investigation and grade 1 qualification in general contracting of municipal public works construction. It is a technological innovative company which provides integrated services for the entire process of engineering construction project, and is a leader in the municipal construction design and research in the People's Republic of China. Its overall strength is especially seen in the professional design and research in the areas of: urban roadwork, highway system, mass transit railway system, bus rapid transit (BRT), integrated transportation hubs, fresh water and drainage system, water recycling, solid waste disposal and treatment system, river restoration, urban design and landscape, urban underground space development and usage, integrated underground utilities system, and sponge city.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, BMEDI, through its wholly-owned subsidiary, Beijing Design Group Company Limited, held approximately 27.57% of the issued share capital of the Company and it was therefore one of the substantial shareholders and a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company and are subject to the reporting, annual review and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

OPINION OF THE DIRECTORS

As Mr. Liu Gui Sheng and Mr. Liu Yong, the executive Directors, hold positions in BMEDI as the Chairman and Vice General Manager, respectively, they are deemed to have material interests in the Framework Agreement and the transactions contemplated thereunder and have therefore abstained from voting on the resolution regarding the Framework Agreement. Save for the above named Directors, other Directors have no interests in the transactions contemplated under the Framework Agreement. The Directors (including the independent non-executive Directors) have considered and approved the resolution regarding the continuing connected transactions described under this announcement. The Directors considered that (i) the transactions are on normal commercial terms or better, and in the ordinary and usual course of business of the Group; (ii) the terms of the Framework Agreement (together with the aforementioned annual caps) are fair and reasonable to all Shareholders; and (iii) the transactions contemplated under the Framework Agreement are in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

| | |
|--------------------------------|--|
| “BIM” | building information modelling |
| “BMEDI” | Beijing General Municipal Engineering Design & Research Institute Co., Ltd., one of the substantial shareholders of the Company |
| “Board” | the board of Directors |
| “Company” | C Cheng Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Framework Agreement” | the Design and BIM Service Sub-contracting Framework Agreement dated 21 May 2021 entered into between the Company and BMEDI |
| “Group” | the Company and its subsidiaries |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Previous Framework Agreement” | the Design Service Sub-contracting Framework Agreement dated 17 May 2019 entered into between the Company and BMEDI |
| “RMB” | Renminbi, the lawful currency of the People’s Republic of China |

| | |
|----------------------------|--|
| “Shareholders” | shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholders” | in relation to a company means a person (including the holder of depositary receipts) who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the company |
| “%” | percentage |

By order of the Board
C CHENG HOLDINGS LIMITED
Liang Ronald
Chairman and Executive Director

Hong Kong, 21 May 2021

As at the date of this announcement, the executive Directors are Mr. Liang Ronald, Mr. Liu Gui Sheng, Mr. Fu Chin Shing, Mr. Wang Jun You, Mr. Liu Yong and Mr. Ma Kwai Lam Lambert, and the independent non-executive Directors are Mr. Lo Wai Hung, Mr. Yu Chi Hang and Ms. Su Ling.