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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 SERVICE SUB-CONTRACTING FRAMEWORK AGREEMENT

DESIGN SERVICE SUB-CONTRACTING FRAMEWORK AGREEMENT

The Board announces that on 30 June 2017 (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 services to the BMEDI Group, with the scope of services including but not limited to architectural design, landscape design, town planning design and interior design.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BMEDI, through its wholly-owned subsidiary Beijing Design Group Company Limited, held approximately 28.61% 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.

THE FRAMEWORK AGREEMENT

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

Date

30 June 2017

Parties

- (1) the Company
- (2) BMEDI

As BMEDI, through its wholly-owned subsidiary Beijing Design Group Company Limited, holds approximately 28.61% 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 services to the BMEDI Group, with the scope of services including but not limited to architectural design, landscape design, town planning design and interior design.

Pricing Policy

The service fees to be paid by the BMEDI Group 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 services and the resources required and shall be set out in the individual contracts to be entered into between the Group and the BMEDI Group, 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 Group before signing the individual contracts, the operation department of the Group will review the rates of service fees of the relevant comparable services provided to independent third parties taking into account of a number of factors, including but not limited to, (i) market price; (ii) payment and credit terms; (iii) complexity of the services; (iv) service level; (v) capacity; (vi) work schedule; (vii) compliance record and (viii) quality control capability, and ensure that the rates of service fees chargeable to the BMEDI Group be commensurate with the rates of service fees chargeable to independent third parties and no less favourable than those for design 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 30 June 2017 and shall expire on 31 December 2019 unless 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 2017 and 2019:

Nature of transactions	Annual cap for the year ending 31 December (in RMB)		
	2017	2018	2019
Design services	14,700,000 (equivalent to approximately HK\$16,900,000	14,700,000 (equivalent to approximately HK\$16,900,000	14,700,000 (equivalent to approximately HK\$16,900,000

The proposed annual caps for the three years ending 31 December 2019 were determined based on the anticipated demand from the BMEDI Group for the design services, taking into account the existing and anticipated projects covered by the BMEDI Group.

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 Group 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 manager of the Company to supervise the continuing connected transactions contemplated under the Framework Agreement and 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 manager 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 an 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 an annual review of 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 more than 60 years history of the region. Its headquarter is in Beijing with 15 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 lead 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. Up to date of this announcement, BMEDI has secured consultancy contracts in the Guangdong-Hong Kong-Macau Big Bay Area with a contract amount of more than RMB1.4 billion.

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 of 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 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 enhance revenue and 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 Growth Enterprise Market of the Stock Exchange on 20 December 2013 and the listing of the Company's shares was transferred from the Growth Enterprise Market 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 design services.

BMEDI

BMEDI, through its wholly-owned subsidiary Beijing Design Group Company Limited, holds approximately 28.61% of the issued share capital of the Company.

Established in 1955, Beijing BMEDI is a wholly-owned subsidiary of Beijing Enterprises Group Company Limited, possessing grade A qualifications in engineering design. 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 of the following areas: 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 28.61% 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:

“BMEDI”	Beijing General Municipal Engineering Design & Research Institute Co., Ltd., one of the substantial shareholders of the Company
“BMEDI Group”	BMEDI and its subsidiaries
“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 Service Sub-contracting Framework Agreement dated 30 June 2017 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
“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, 30 June 2017

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.