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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 21 May 2021 in relation to, among others, the continuing connected transactions under the Previous Framework Agreement. The Previous Framework Agreement has been expired on 31 December 2022.

The Board announces that on 31 May 2023 (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 Company shall, through LWK Architecture and SZ Jarvis, provide design and BIM services to BMEDI, 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 21 May 2021 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 2022.

The Board is pleased to announce that on 31 May 2023 (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**

31 May 2023

### **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 Company shall, through LWK Architecture and SZ Jarvis, provide design and BIM services to 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 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 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 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 Jiang Tao and Mr. Liu Yong who are also the Chairman and Vice General Manager of BMEDI, respectively and have abstained from voting on the resolution approving the Company to enter into the Framework Agreement) 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 31 May 2023 and shall expire on 31 December 2024, 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 2023 to 2024:

Nature of transactions	Annual cap for the year ending 31 December (in RMB)	
	2023	2024
Design and BIM services	5,000,000 (equivalent to approximately HK\$5,500,000)	5,000,000 (equivalent to approximately HK\$5,500,000)

The proposed annual caps for the two years ending 31 December 2024 were determined based on the anticipated demand from BMEDI for the design and BIM services, taking into account the existing and anticipated projects covered by 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 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 and consider all other relevant factors 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 PRC with over 60 years of history in the region. Its headquarter is in Beijing with 32 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 PRC 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 is a company 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. The Group has obtained certificates as a Band 1 List of Consultants of AACSB in Hong Kong and Grade – A Qualification in the PRC.

### ***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 PRC. 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 Jiang Tao 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:

“AACSB”	Architectural and Associated Consultants Selection Boards
“BIM”	building information modelling
“BMEDI”	Beijing General Municipal Engineering Design & Research Institute Co., Ltd., being 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 with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1486)
“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 31 May 2023 entered into between the Company and BMEDI
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“LWK Architecture”	LWK Architecture (Shenzhen) Limited* (梁黃顧建築設計(深圳)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau and Taiwan
“Previous Framework Agreement”	the Design and BIM Service Sub-contracting Framework Agreement dated 21 May 2021 entered into between the Company and BMEDI
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“SZ Jarvis”	Shenzhen Qianhai Jarvis Data Consulting Company Limited* (深圳前海賈維斯數據諮詢有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

*For the purpose of this announcement, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.10.*

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

Hong Kong, 31 May 2023

*As at the date of this announcement, the executive Directors are Mr. Liang Ronald, Mr. Liu Jiang Tao, 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. Wong Hin Wing, Mr. Chan James and Ms. Su Ling.*

\* *For identification purposes only*