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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: 8320)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of C Cheng Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2013, the financial results of the Group were as follows:

- Revenue of the Group reached HK\$324,007,000 (2012: HK\$268,282,000), representing an increase of 20.8% from the previous year;
- The profit for the year was HK\$11,172,000, as compared to HK\$27,228,000 in the previous year. Excluding the non-recurring expenses in connection with the listing of the shares of the Company on GEM on 20 December 2013 of HK\$16,086,000 and the equity-settled share based payment arisen from group restructuring (contained in administrative expenses) of HK\$5,210,000, the profit for the year amounted to HK\$32,468,000, representing an increase of 19.2% from the previous year;
- Basic earnings per share for the year based on weighted average number of ordinary shares of approximately 136,479,000 (2012: 135,000,000) in issue was HK6.6 cents (2012: HK18.8 cents);
- Diluted earnings per share for the year based on weighted average number of ordinary shares of approximately 136,632,000 in issue was HK6.6 cents (2012: N/A); and
- No final dividend was declared for the year.

ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2013, together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	3	324,007	268,282
Cost of services		(231,561)	(209,756)
Gross profit		92,446	58,526
Other income	4	840	351
Other gains and losses	5	1,152	721
Administrative expenses		(57,522)	(24,639)
Listing expenses		(16,086)	–
Finance costs	6	(143)	(64)
Profit before taxation	7	20,687	34,895
Income tax expense	8	(9,515)	(7,667)
Profit for the year		11,172	27,228
Other comprehensive income (expense) <i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation		1,284	371
Net fair value gain arising on available-for-sale financial assets		–	34
Reclassification adjustment upon disposal of available-for-sale financial assets		–	(288)
Other comprehensive income for the year		1,284	117
Total comprehensive income for the year		12,456	27,345
Profit for the year attributable to:			
Owners of the Company		8,978	25,355
Non-controlling interests		2,194	1,873
		11,172	27,228
Total comprehensive income for the year attributable to:			
Owners of the Company		10,165	25,434
Non-controlling interests		2,291	1,911
		12,456	27,345
Earnings per share (expressed in HK cents)			
– Basic	9	6.6	18.8
– Diluted	9	6.6	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>11</i>	13,561	15,169
Goodwill		4,899	4,758
Intangible assets		2,094	3,235
Rental and utility deposits		4,106	3,251
Deferred tax assets		12	620
		<hr/> 24,672 <hr/>	<hr/> 27,033 <hr/>
Current assets			
Held for trading investments	<i>12</i>	521	554
Amounts due from customers for contract work		126,616	77,169
Progress billings receivable from contract customers	<i>13</i>	78,813	72,756
Prepayments and other receivables		9,564	1,993
Pledged bank deposits		2,545	1,744
Bank balances and cash		56,410	29,054
		<hr/> 274,469 <hr/>	<hr/> 183,270 <hr/>
Current liabilities			
Trade payables	<i>14</i>	6,019	4,764
Accruals and other payables		64,777	36,885
Amounts due to customers for contract work		112,584	101,306
Amount due to a director	<i>15</i>	2,030	–
Obligations under finance leases	<i>16</i>	323	449
Income tax payable		6,308	5,292
Bank overdraft		1,111	–
		<hr/> 193,152 <hr/>	<hr/> 148,696 <hr/>
Net current assets		<hr/> 81,317 <hr/>	<hr/> 34,574 <hr/>
Total assets less current liabilities		<hr/> 105,989 <hr/>	<hr/> 61,607 <hr/>
Non-current liabilities			
Obligations under finance leases	<i>16</i>	1,022	1,315
Deferred tax liabilities		3,237	3,680
		<hr/> 4,259 <hr/>	<hr/> 4,995 <hr/>
Net assets		<hr/> 101,730 <hr/>	<hr/> 56,612 <hr/>
Capital and reserves			
Issued capital	<i>17</i>	1,800	1,020
Reserves		99,777	53,222
		<hr/> 101,577 <hr/>	<hr/> 54,242 <hr/>
Equity attributable to owners of the Company		101,577	54,242
Non-controlling interests		153	2,370
Total equity		<hr/> 101,730 <hr/>	<hr/> 56,612 <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000	
	Issued capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Statutory reserve HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000				Retained profits HK\$'000
At 1 January 2012	1,000	-	254	2,165	-	-	6,400	23,526	33,345	786	34,131
Profit for the year	-	-	-	-	-	-	-	25,355	25,355	1,873	27,228
Fair value gain of available-for-sale financial assets	-	-	34	-	-	-	-	-	34	-	34
Reclassification adjustment upon disposal of available-for-sale financial assets	-	-	(288)	-	-	-	-	-	(288)	-	(288)
Exchange differences arising on translation	-	-	-	-	-	-	333	-	333	38	371
Total comprehensive (expense) income for the year	-	-	(254)	-	-	-	333	25,355	25,434	1,911	27,345
Incorporation of LWK Design (Macau) Limited ("LWK Macau")	20	-	-	-	-	-	-	-	20	9	29
Dividend recognised as distribution (Note 10)	-	-	-	-	-	-	-	(4,893)	(4,893)	-	(4,893)
Acquisition of additional interest in LWK Conservation Limited ("LWK Conservation")	-	-	-	-	-	336	-	-	336	(336)	-
At 31 December 2012	1,020	-	-	2,165	-	336	6,733	43,988	54,242	2,370	56,612
Profit for the year	-	-	-	-	-	-	-	8,978	8,978	2,194	11,172
Exchange differences arising on translation	-	-	-	-	-	-	1,187	-	1,187	97	1,284
Total comprehensive income for the year	-	-	-	-	-	-	1,187	8,978	10,165	2,291	12,456
Transfer to statutory reserve	-	-	-	661	-	-	-	(661)	-	-	-
Acquisition of LWK Macau	(20)	-	-	-	-	94	-	-	74	(103)	(29)
Acquisition of additional interest in 深圳市梁黃顧 藝恒建築設計有限公司 ("LWK Yiheng")	-	-	-	-	-	809	-	-	809	(4,405)	(3,596)
Recognition of equity-settled share-based payments	-	-	-	-	114	5,210	-	-	5,324	-	5,324
Effect of the Share Swap pursuant to the group reorganisation (Note 17)	(620)	54,139	-	-	-	(53,519)	-	-	-	-	-
Issue of shares (Note 17)	450	36,900	-	-	-	-	-	-	37,350	-	37,350
Capitalisation issue (Note 17)	970	(970)	-	-	-	-	-	-	-	-	-
Expenses incurred in correction with the issue of shares	-	(6,387)	-	-	-	-	-	-	(6,387)	-	(6,387)
At 31 December 2013	1,800	83,682	-	2,826	114	(47,070)	7,920	52,305	101,577	153	101,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION AND GROUP REORGANISATION

(i) General information

The Company was incorporated on 13 May 2013 in the Cayman Islands under the Companies Law, Chapter 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time and its shares are listed on GEM of the Stock Exchange on 20 December 2013. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, respectively. The Directors consider the immediate holding company and ultimate holding company of the Group is Rainbow Path International Limited, a limited liability company incorporated in the British Virgin Islands (the “BVI”), and the ultimate controlling party is Mr. Liang Ronald (“Mr. Liang”).

The Company is an investment holding company and its subsidiaries are mainly engaged in the provision of comprehensive architectural service.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

(ii) Group reorganisation

Before the completion of the group reorganisation as more fully explained in the section headed “Corporate Reorganisation” in Appendix IV to the prospectus of the Company dated 16 December 2013, LWK & Partners (HK) Limited (“LWK Hong Kong”) was owned by Mr. Liang, Mr. Fu Chin Shing (“Mr. Fu”) and Rich World Services Limited (controlled by Mr. Liang) as to 65%, 28% and 7%, respectively. LWK Macau was incorporated on 9 July 2012 and owned by Mr. Liang and Mr. Fu as to 70% and 30%, respectively.

On 11 June 2013, LWK Hong Kong and LWK Conservation, both wholly owned subsidiaries of the Company, acquired the entire capital of LWK Macau from Mr. Liang and Mr. Fu for a cash consideration of MOP30,000 (equivalent to approximately HK\$29,000) (the “Macau Acquisition”). LWK Hong Kong and LWK Macau were under the common control of Mr. Liang both before and after the Macau Acquisition and that control is not transitory, therefore, the principles of merger accounting under Accounting Guideline 5 *Merger Accounting for Common Control Combinations* has been applied for the Macau Acquisition.

On 10 June 2013, Mr. Liang and Mr. Fu transferred 79,310 and 33,990 shares of LWK Hong Kong (representing, in aggregate, 11.33% of the entire issued share capital of LWK Hong Kong), respectively to Mr. Wang Jun You (“Mr. Wang”) for a total consideration of HK\$8,280,000. Upon completion, LWK Hong Kong was ultimately owned as to 61.53%, 27.14% and 11.33% by Mr. Liang, Mr. Fu and Mr. Wang, respectively. On 21 June 2013, LWK Hong Kong entered into equity transfer agreement with Mr. Wang to acquire additional 24% interest in LWK Yiheng, a non-wholly owned subsidiary of LWK Hong Kong, for a cash consideration of RMB2,830,000 (equivalent to approximately HK\$3,596,000) which was completed on 28 August 2013.

After interspersing the Company and Helffrich Ventures Limited (“Helffrich Ventures”) between the shareholders and LWK Hong Kong which was completed on 5 December 2013 (the “Share Swap”), the Company became the holding company of the Group.

Accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2013 and 2012 have been prepared as if the current group structure had been in existence for the years ended 31 December 2013 and 2012, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2012 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence on that date.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2013, the Group has adopted all the HKFRSs which are effective for the financial year beginning 1 January 2013.

In addition, the Group has early applied Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*. The effect of the early application is set out below.

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* have been applied in advance of the mandatory effective date (which is the annual periods beginning on or after 1 January 2014). The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash-generating unit. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or cash-generating unit was determined based on its fair value less costs of disposal. The relevant disclosures relating to recoverable amount of non-financial assets have been prepared in accordance with the amendments to HKAS 36.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ⁴
Amendments to HKFRSs HKFRS 9	Annual Improvements to HKFRSs 2011–2013 Cycle ² Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the contract revenue for comprehensive architectural service recognised during the year.

The Group has only one single operating segment of provision of comprehensive architectural service. The Group's chief operating decision maker (the Chief Executive Officer of the Group) regularly reviews the consolidated results of the Group as a whole for the purposes of resource allocation and assessment of performance.

The Group considers segment revenue and segment results as revenue from external customers and profit for the year before considering the effect of intangible asset recognised and fair value adjustments arising from acquisition of LWK Yiheng and the related tax effect ("LWK Yiheng Fair Value Adjustments"). No segment information on assets and liabilities is presented as such information is not reported to the Group's chief operating decision maker.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Segment revenue	324,028	269,637
Reconciliation		
LWK Yiheng Fair Value Adjustments	(21)	(1,355)
	<hr/> 324,007 <hr/>	<hr/> 268,282 <hr/>
Consolidated revenue		
Segment result	14,157	29,714
Reconciliation		
LWK Yiheng Fair Value Adjustments	(2,985)	(2,486)
	<hr/> 11,172 <hr/>	<hr/> 27,228 <hr/>
Consolidated profit for the year		

Revenue from Major Services

The following is an analysis of the Group's revenue from its major services:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Architecture	303,284	240,563
Landscape architecture, town planning, interior design and heritage conservation	20,723	27,719
	<hr/> 324,007 <hr/>	<hr/> 268,282 <hr/>

Geographical Information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets other than deferred tax assets.

	Revenue from external customers		Non-current assets	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<i>Place of domicile of group entity:</i>				
Hong Kong	76,991	69,861	11,158	11,324
PRC	162,911	135,486	13,502	15,089
Macau	661	528	–	–
<i>Foreign location/countries:</i>				
PRC	78,634	61,928	–	–
South Korea, Macau and others	4,810	479	–	–
	<hr/> 324,007 <hr/>	<hr/> 268,282 <hr/>	<hr/> 24,660 <hr/>	<hr/> 26,413 <hr/>

Information about Major Customers

Revenue from customer individually contributing over 10% of the total revenue of the Group is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Customer A	*	33,909

* There is no individual customer contributing over 10% of the consolidated revenue for the current year.

4. OTHER INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest income on bank deposits	74	100
Sundry income	766	251
	840	351

5. OTHER GAINS AND LOSSES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Gain (loss) on disposal of property, plant and equipment	1,697	(6)
Allowance for doubtful debts	(1,214)	–
Net foreign exchange gain	718	485
Loss from changes in fair value of held for trading investments	(49)	(46)
Gain on disposal of available-for-sale financial assets	–	288
	1,152	721

6. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest expense on:		
Bank overdrafts	100	16
Obligations under finance leases	43	48
	143	64

7. PROFIT BEFORE TAXATION

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	950	800
Depreciation of property, plant and equipment	4,156	3,605
Amortisation of intangible assets (<i>Note 1</i>)	1,202	1,171
Operating lease payments (<i>Note 2</i>)	13,487	11,899
Staff costs		
– Salaries allowances and other benefits	171,744	142,066
– Operating lease payments	744	237
– Contributions to retirements benefits	6,260	4,171
– Equity-settled share-based payments	5,324	–
Total staff costs (including director's emoluments)	<u>184,072</u>	<u>146,474</u>

Note 1: Included in cost of services.

Note 2: For the year ended 31 December 2013, the amount includes the operating lease payments for staff quarters approximately amounting to HK\$744,000 (2012: HK\$237,000), which are included in the total staff costs.

8. INCOME TAX EXPENSE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
The income tax expense comprises:		
Current tax:		
– Hong Kong Profits Tax	2,817	1,532
– PRC Enterprise Income Tax (“EIT”)	6,609	5,775
– Macau Complementary Tax	–	38
	<u>9,426</u>	<u>7,345</u>
Deferred tax:		
– Current year	89	322
	<u>9,515</u>	<u>7,667</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

According to Sui Yue Guo Shui Jian Bei (穗越國稅減備) (2013) 100136, the tax rate of 廣州梁黃顧建築有限公司 (“LWK Guangzhou”), a wholly owned subsidiary of the Company, is 20% on one-half of the profit chargeable to EIT for the period from 22 November 2012 (date of establishment) to 31 December 2012 and for the year ended 31 December 2013.

According to the State Council Circular on Transitional Policy of Enterprise Income Tax (Guo Fa [2007] No. 39), the income tax rate applicable to 梁黃顧設計顧問(深圳)有限公司 (“LWK Shenzhen”), a wholly owned subsidiary of the Company, and LWK Yiheng is 25% for the years ended 31 December 2013 and 2012.

According to the Law no. 12/2011 of Macau Special Administrative Region of the PRC, LWK Macau is entitled to a tax exemption allowance of MOP200,000 (approximately to HK\$197,000) followed by progressive tax rates of 9% and 12%.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before taxation	20,687	34,895
Tax at the 16.5%	3,413	5,758
Tax effect of expenses not deductible for tax purpose	3,834	72
Effect of different tax rates of subsidiaries operating in the PRC and Macau	889	1,161
Effect of different tax rates of profits generated in the PRC	1,149	644
Tax effect of tax losses not recognised	148	–
Others	82	32
Income tax expense	9,515	7,667

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Earnings:		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to the owners of the Company	8,978	25,355
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	136,479,452	135,000,000
Effect of dilutive potential ordinary shares in respect of share options outstanding	152,845	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	136,632,297	N/A

The calculation of the weighted average number of shares outstanding during the years ended 31 December 2013 and 2012 has been adjusted for the effect of the Share Swap (as defined in Note 1(ii)) and the Capitalisation Issue (as defined in Note 17).

No diluted earnings per share is presented for the year ended 31 December 2012 as there were no potential ordinary shares outstanding during the year.

10. DIVIDENDS

No dividend was paid or proposed by the Company during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 December 2012, an interim dividend of HK\$4,893,000 was declared and paid by LWK Hong Kong to its then shareholders. The rate of dividend is not presented as such information is not meaningful.

11. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$4,446,000 (2012: HK\$5,698,000) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK\$2,089,000 (2012: HK\$71,000).

12. HELD FOR TRADING INVESTMENTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Unlisted trading fund in the PRC	<u>521</u>	<u>554</u>

13. PROGRESS BILLINGS RECEIVABLE FROM CONTRACT CUSTOMERS

The Group does not have a standardised and universal credit period granted to its customers. The credit period granted to individual customer is within 90 days in general and up to 180 days, which the Group considered on a case-by-case basis, depending on the credibility and reputation of the customers and as stipulated in the project contract. The following is an aged analysis of progress billings receivable, presented based on the invoice date at the end of each reporting period, and net of allowance recognised:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 30 days	27,603	22,997
Over 30 days and within 90 days	33,521	32,426
Over 90 days and within 180 days	5,506	11,946
Over 180 days	12,183	5,387
	<u>78,813</u>	<u>72,756</u>

As at 31 December 2013, included in the Group's progress billings receivable balances were debtors with aggregate carrying amount of approximately HK\$34,080,000 (2012: HK\$28,268,000) which were past due at the end of each reporting period for which the Group has not provided for allowance for doubtful debts.

Aging of progress billings receivables at the end of each reporting period which are past due but not impaired:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Past due within 30 days	13,209	12,159
Past due over 30 days and within 90 days	12,609	9,802
Past due over 90 days and within 180 days	1,640	5,890
Past due over 180 days	6,622	417
	<u>34,080</u>	<u>28,268</u>

14. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 30 days	4,469	3,646
Over 30 days and within 90 days	577	247
Over 90 days	973	871
	6,019	4,764

The average credit period on trade payables is generally 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

15. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest free and repayable on demand.

16. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its office equipment and motor vehicles under finance leases. The lease term is 5 years.

For the year ended 31 December 2013, interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.84% to 6.04% per annum (2012: ranging from 2.90% to 6.04% per annum).

	Minimum lease payments at		Present value of minimum lease payments at	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable under finance leases:				
Within one year	399	536	323	449
In more than one year but not more than two years	399	399	346	344
In more than two years but not more than five years	712	1,037	676	971
	1,510	1,972	1,345	1,764
Less: Future finance charges	(165)	(208)	–	–
Present value of lease obligations	1,345	1,764	1,345	1,764
Less: Amounts due for settlement within 12 months (shown under current liabilities)			(323)	(449)
Amounts due for settlement after 12 months			1,022	1,315

The rights to the leased assets are reverted to the lessors in the event of default of the lease obligations by the Group.

17. ISSUED CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised		
At 13 May 2013 (date of incorporation) (<i>Note 1</i>)	38,000,000	380
Increase on 5 December 2013 (<i>Note 2</i>)	962,000,000	9,620
	<hr/>	<hr/>
At 31 December 2013	<u>1,000,000,000</u>	<u>10,000</u>
Issued and paid up		
At 13 May 2013 (date of incorporation) (<i>Note 1</i>)	1	–
Issue under the Share Swap (<i>Note 3</i>)	37,999,999	380
Issue of new shares upon listing (<i>Note 4</i>)	45,000,000	450
Capitalisation Issue (<i>Note 5</i>)	97,000,000	970
	<hr/>	<hr/>
At 31 December 2013	<u>180,000,000</u>	<u>1,800</u>

Note 1: On 13 May 2013, the Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, with one fully paid share issued to the initial subscriber. On the same day, the subscriber share was transferred to Rainbow Path International Limited.

Note 2: Pursuant to the written resolutions passed by the shareholders on 5 December 2013, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$10,000,000 divided into 1,000,000,000 ordinary shares by the creation of additional 962,000,000 new ordinary shares which shall, when issued and paid, rank pari passu in all respects with the existing issued ordinary shares (other than participation in the capitalisation issue).

Note 3: Pursuant to the share swap agreement dated 5 December 2013 entered into amongst Mr. Liang, Mr. Fu, Mr. Wang and Rich World Services Limited (owned by Mr. Liang and Mr. Fu) (the “Transferors”), the Company and Helffrich Ventures, the Transferors agreed to transfer the entire issued share capital in LWK Hong Kong to the Company (to be held through Helffrich Ventures) in consideration of and in exchange for the issue by the Company of 21,355,999 ordinary shares to Rainbow Path International Limited (investment holding company set by Mr. Liang), 10,313,200 ordinary shares to Vivid Colour Limited (investment holding company set by Mr. Fu), 4,305,400 ordinary shares to Jun Ming Investments Limited (investment holding company set by Mr. Wang), and 2,025,400 ordinary shares to Veteran Ventures Limited (investment holding company set by Mr. Liang) credited as fully paid, respectively.

Note 4: On 19 December 2013, the Company placed 45,000,000 shares at HK\$0.83 per share for a total gross proceed of HK\$37,350,000. The proceed will be used to finance the implementation of the business plans as set forth in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 16 December 2013.

Note 5: On 20 December 2013, a sum of HK\$970,000 standing to the credit of the share premium account of the Company was capitalised by applying such sum in paying up in full a total of 97,000,000 shares (the “Capitalisation Issue”).

All issued shares rank pari passu in all respects with each other.

None of the Company’s subsidiaries purchased, sold or redeemed any of the Company’s listed shares during the year ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group maintained its market position as one of the leading comprehensive architectural service provider in Hong Kong and the PRC.

During the year, the Group maintained a steady growth of 20.8% in revenue, and secured 125 new contracts with contract sums of approximately HK\$555,000,000 in Hong Kong and the PRC. As at 31 December 2013, the Group had remaining contract sums (summation of contract sums of all existing projects multiple (100% minus percentage of completion)) of approximately HK\$1,037,000,000. Architecture, contributing 93.6% of the revenue, continued to be the mainstream of practice of the Group. In extending the geographical coverage of service, the Group set foot in Vietnam, Sri Lanka and third tier cities in the PRC, providing consultancy services in residential and hotel developments.

Besides architecture, the service of: (a) landscape architecture; (b) town planning; (c) interior design; and (d) heritage conservation maintained its stable contribution to revenue of the Group. In term of contract sum, these four sectors contributed 8.7% of all the contracts signed and such proportional contribution showed a significant increase of 365.4% during the year. The Directors believe that these sectors will be having significant growth in the years to come.

The proven track record and investment in latest technology put the Group in a strong position to take advantage of the business opportunities ahead, and reinforce its leading market position amid the intense competition.

Financial Overview

Revenue

Revenue for the year ended 31 December 2013 was HK\$324,007,000, when compared with that of HK\$268,282,000 in 2012, representing an increase of 20.8%. The increase was attributable by the increase of revenue generated by the provision of service of architecture and partially offset by the decrease of revenue generated from the provision of service of landscape architecture, town planning, interior design and heritage conservation.

Cost of services

Cost of services for the year ended 31 December 2013 amounted to HK\$231,561,000, when compared with that of HK\$209,756,000 in 2012, representing an increase of 10.4%. The increase was driven by the rise in direct labour costs and overhead by HK\$24,914,000 as a result of the increase in the number of technical staff employed in 2013. The drop in other taxes and duties of HK\$5,020,000 partially offset the increase brought by the direct labour costs and overhead. In late 2012, the PRC started the tax reform to replace the business tax (營業稅) with value-added tax (增值稅). Instead of charging the business tax to cost of services as other taxes and duties prior to the tax reform, the value-added tax is taxed directly from the deducted from the revenue and therefore leading to a large decrease in other taxes and duties during the year ended 31 December 2013.

Gross profit and gross profit margin

The gross profit for the year ended 31 December 2013 amounted to HK\$92,446,000, when compared with that of HK\$58,526,000 in 2012, representing an increase 58.0%. The increase was mainly attributable to improvement of cost efficiency from streamlining the work flow of our projects during the year.

Administrative expenses

Administrative expenses for the year ended 31 December 2013 amounted to HK\$57,522,000 (2012: HK\$24,639,000), representing an increase of 133.5%. The increase was mainly due to (i) a growth in staff costs by HK\$22,673,000 due to increase of the number of key managerial staff, average salary and discretionary bonus and; (ii) HK\$5,210,000 of the equity-settled share-based payment arisen from group restructuring.

Profit for the year

The profit for the year ended 31 December 2013 was HK\$11,172,000, as compared to HK\$27,228,000 in the previous year.

The major non-recurring expenses which were included in the profit for the year ended 31 December 2013 were (1) listing expenses of HK\$16,086,000 and equity-settled share based payment of HK\$5,210,000 arisen from group restructuring.

Excluding the above mentioned non-recurring items, the profit for the year ended 31 December 2013 would have been HK\$32,468,000 comparing to HK\$27,228,000 for 2012, representing an increase of 19.2% from the previous year.

OUTLOOK

The Group is a versatile, multi-skilled practice that values originality of thought. The Directors believe that good design is an intelligent response to every challenge. The solutions the Group provides are unique and appropriate, unconstrained by a distinct aesthetic style. This is because we pay close attention to and actively work together with its clients.

The Directors believe that the Group's accumulated experience, gathered in both design and project execution, is invaluable. Also, the effective application of experience and knowledge in the Group's multi-centre operations model will enhance its market position and ensure its growth remains sustainable.

Expansion of current offices in the PRC is a necessity due to the increase in project volume in the PRC's market. In this financial year, the Group is going to expand its current offices in the first-tier cities in the PRC. The Group is also in the process establishing new offices in the Southeast Asian region. These new establishments will provide design and technical supports which can lower the operating cost, increase market penetration and gain access to an alternative market for professional partnerships.

The Group has carried out and will continue to carry out more marketing activities in Hong Kong and the PRC in order to increase its public awareness. The marketing activities to be carried out include conference, exhibition, sponsorship, and design competition. The Group will organise design forums and seminars with academic institutions and professional bodies. It will also carry out promotions through various media platforms.

Enhancement of the information technology infrastructure will help the Group gather and arrange its experience and knowledge in a systematic manner. This will increase the Group's capacity in design information management, resources management, and visualisation technology. The Group is now investing resources to build up the design information management platform with 3D printing technology and cost management system. Such advancement will be carried out within this financial year.

The Directors believe that the above strategies could help the Group to increase the capacity to undertake new clientele and for new business development. Taking the PRC and Hong Kong markets as a foundation, The Group has attached great importance to expanding its business to overseas markets stage by stage, in order to strengthen the network and increase our participation in the overseas market to strive for greater accomplishments.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	274,469	183,270
Current liabilities	193,152	148,696
Current ratio	1.42	1.23

The current ratio of the Group at 31 December 2013 was 1.42 times as compared to that of 1.23 times at 31 December 2012. It was mainly resulted from an increase in the amounts due from customers for contract work with the working progress of the projects during the year.

At 31 December 2013, the Group had total bank balances and cash and pledged bank deposits of HK\$58,955,000 (2012: HK\$30,798,000). The unutilised bank overdraft is HK\$1,269,000 (2012: HK\$2,380,000) as at 31 December 2013.

At 31 December 2013, the Group's gearing ratio (represented by amount due to a director, obligations under finance leases and bank overdraft divided by equity) amounted to approximately 4.4% (2012: 3.1%).

The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 20 December 2013 (the "Listing Date"). There has been no change in the capital structure of the Group since the Listing Date and up to the date of this announcement. The capital of the Group only comprises of ordinary shares.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. As at 31 December 2013, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

MATERIAL ACQUISITIONS AND DISPOSALS

Pursuant to the Reorganisation in preparation of the Listing, the Company became the holding company of the Group formed after completion of the Reorganisation. Details of the Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix IV to the prospectus of the Company dated 16 December 2013.

Save as aforesaid, during the year ended 31 December 2013, the Group had no material acquisitions and disposals of subsidiaries.

PLEDGE OF ASSETS

As at 31 December 2013, the Group has pledged short-term bank deposits with an aggregate carrying amount of HK\$2,545,000 (2012: HK\$1,744,000) to banks to secure bank overdraft granted to the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2013.

COMMITMENTS

The contractual commitments of the Group are primarily related to the leases of its office premises. The Group's operating lease commitments amounted to HK\$35,741,000 (2012: HK\$17,970,000) as at 31 December 2013.

As at 31 December 2013, the Group did not have any significant capital commitments (2012: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group employed around 600 (2012: 500) employees.

Employees are remunerated according to nature of the job, market trend, and individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned.

The Group offers competitive remuneration and benefit package to our employees. Our employee benefits include mandatory provident fund, employee pension schemes in the PRC, medical coverage, insurance, training and development programs and options that were granted or may be granted under the pre-IPO share option scheme and share option scheme both of which were approved by the shareholders of the Company on 5 December 2013.

FINAL DIVIDENDS

The Directors do not recommend the payment of the final dividend for the year ended 31 December 2013 (2012: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the shares of the Company were listed on the GEM on the Listing Date, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at the end of the year or at any time during the year.

DIRECTOR'S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of provisions of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with such code of conduct and the required standard of dealings regarding securities transactions by the Directors from the Listing Date and up to 31 December 2013.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rule from Listing Date to 31 December 2013.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management of the Group the financial and accounting policies and practices adopted by the Group, its internal controls and financial reporting matters and the above audited annual results of the Group for the year ended 31 December 2013; and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “Annual General Meeting”) will be held at Jade Room, 6/F, Marco Polo Hong Kong Hotel, Harbour City, Kowloon, Hong Kong on Thursday, 12 June 2014 at 10:00 a.m.. The notice of the Annual General Meeting will be separately published in due course.

PUBLICATION OF 2013 ANNUAL RESULTS AND 2013 ANNUAL REPORT

The annual results announcement of the Company is published on the GEM website (www.hkgem.com) and the Company’s website (www.cchengholdings.com). The annual report of the Company for the year ended 31 December 2013 will be dispatched to the Shareholders and published on the GEM website (www.hkgem.com) and the Company’s website (www.cchengholdings.com) in due course.

By Order of the Board
C Cheng Holdings Limited
Liang Ronald
Chairman

Hong Kong, 21 March 2014

As at the date of this announcement, executive Directors are Mr. Liang Ronald, Mr. Fu Chin Shing, Mr. Wang Jun You, Mr. Lo Kin Nang, Mr. Ng Kwok Fai and Mr. He Xiao, and the independent non-executive Directors are Mr. Lo Wai Hung, Mr. Wang Julius and Mr. Yu Chi Hang.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.cchengholdings.com.