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*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Main Board Listing Rules and 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.*



## **C CHENG HOLDINGS LIMITED**

**思城控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code on GEM: 8320)**

**(Stock code on Main Board: 1486)**

### **TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**Financial Adviser to the Company**



Reference is made to the announcement of the Company made on 24 April 2015 in relation to the Transfer of Listing pursuant to Chapter 9A of the Main Board Listing Rules.

On 24 April 2015, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in, (i) the 180,000,000 Shares in issue; (ii) the 11,150,000 Shares which may be issued upon the exercise of the options granted and remained outstanding under the Pre-IPO Share Option Scheme; and (iii) the 18,000,000 Shares which may be issued upon the exercise of all options that may be granted under the Share Option Scheme on the Main Board, by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing has been granted by the Stock Exchange on 24 July 2015. The last day of dealings in the Shares on GEM will be Friday, 31 July 2015. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on Monday, 3 August 2015. The Shares will be traded on the Main Board under the new stock code "1486". All pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have been fulfilled in relation to the Company and its Shares as at the date of this announcement.

## **TRANSFER OF THE LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD**

Reference is made to the announcement of the Company made on 24 April 2015 in relation to the Transfer of Listing pursuant to Chapter 9A of the Main Board Listing Rules.

On 24 April 2015, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in, (i) the 180,000,000 Shares in issue; (ii) the 11,150,000 Shares which may be issued upon the exercise of the options granted and remained outstanding under the Pre-IPO Share Option Scheme; and (iii) the 18,000,000 Shares which may be issued upon the exercise of all options that may be granted under the Share Option Scheme on the Main Board, by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the Stock Exchange granted its approval-in-principle on 24 July 2015 for the Shares to be listed on the Main Board and delisted from GEM according to Rule 9A.09(6) of the Main Board Listing Rules.

The Board confirms that all pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have been fulfilled in relation to the Company and its Shares as at the date of this announcement.

## **REASONS FOR THE TRANSFER OF LISTING**

The Company has been listed on GEM since 20 December 2013. The Group is a comprehensive architectural service provider in Hong Kong and the PRC. Its five major practice areas include: (a) architecture; (b) landscape architecture; (c) town planning; (d) interior design; and (e) heritage conservation. The Directors consider that the Transfer of Listing will enhance the trading liquidity of the Shares and promote the Company's corporate profile and recognition among public investors. Therefore, the Directors are of the view that the Transfer of Listing will be beneficial to the future growth, financing flexibility and business development of the Group.

The Transfer of Listing will not involve any issue of new Shares by the Company. The Board does not contemplate any material change in the nature of the business activities of the Group following the Transfer of Listing.

## **DEALINGS IN THE SHARES ON THE MAIN BOARD**

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 20 December 2013, the date on which the Shares were listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (stock code: 8320) will be Friday, 31 July 2015. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on Monday, 3 August 2015. The Shares will be traded on the Main Board under the new stock code "1486" following the Transfer of Listing.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in a board lot of 4,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Codan Trust Company (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

## **PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME**

The Pre-IPO Share Option Scheme was conditionally adopted by the Company on 5 December 2013 and was a share incentive scheme established to recognise and motivate the contributions that the Directors, members of the senior management and other employees have made or may make to the Group. The Pre-IPO Share Option Scheme was effective from 5 December 2013 to the day immediately preceding the date on which dealings in the Shares first commenced on GEM, i.e. 19 December 2013. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Main Board Listing Rules as no further options under the Pre-IPO Share Option Scheme can be granted thereafter. In respect of the options which have been granted under the Pre-IPO Share Option Scheme, the provisions of the Pre-IPO Share Option Scheme will remain effective following the Transfer of Listing.

Options to subscribe for an aggregate of 11,150,000 Shares have been granted by the Company under the Pre-IPO Share Option Scheme and remained outstanding as at the date of this announcement. The listing of Shares to be issued pursuant to the Pre-IPO Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

The Share Option Scheme was conditionally adopted by the Company on 5 December 2013 to provide incentives or rewards to participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The Share Option Scheme is effective for a period of ten years commencing on 5 December 2013. As at the date of this announcement, the Share Option Scheme fully complies with the requirements of Chapter 17 of the Main Board Listing Rules. As such, the Share Option Scheme will remain effective following the Transfer of Listing.

Pursuant to the rules of the Share Option Scheme, the Company may grant options in respect of a total of 18,000,000 Shares during the remaining term of the Share Option Scheme. As at the date of this announcement, no options have been granted by the Company under the Share Option Scheme. The listing of Shares to be issued pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

As at the date of this announcement, save for (i) the options granted under the Pre-IPO Share Option Scheme; and (ii) the options that may be granted under the Share Option Scheme, the Company does not have any other options, warrants or similar rights or convertible equity securities in issue which will be transferred to the Main Board.

## **GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

Pursuant to Rule 9A.12 of the Listing Rules, the general mandates granted to the Directors to allot and issue new Shares and repurchase Shares by the Shareholders on 2 June 2015 will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or the applicable law of the Cayman Islands to be held; and

- (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors.

## **SUMMARY OF THE GROUP'S BUSINESS**

### **Practice areas**

The Group is a comprehensive architectural service provider in Hong Kong and the PRC. Its five major practice areas include: (a) architecture; (b) landscape architecture; (c) town planning; (d) interior design; and (e) heritage conservation. The following is a brief introduction of these five practice areas:

#### *Architecture*

Architecture is the Group's mainstream of practice. The Group provides a wide range of services of architecture to its clients, including: (a) architectural design (or building design) to different types of building developments, such as residential, commercial and mixed-use developments; (b) associated study and drawing services for facilitating architectural design, such as feasibility study, production of schematic drawings, detailed drawings and tender drawings; and (c) associated administration services for facilitating architectural design, such as administration of a building contract, statutory submission of building plans and site supervision.

With the Grade A Qualification, the Group is eligible to provide the relevant technical, consulting and project management services in a PRC development from conceptual design to building completion. In particular, we are eligible to provide, including but not limited to (a) building and structural design; (b) outdoor engineering design; (c) underground engineering design for residential building; (d) design for small residential area, surrounding area of the industrial area and living area within the industrial area; (e) planning design for small area; and (f) simplex design.

The design content and/or the relevant specialties involved in the above architectural services include, but not limited to, master layout planning design, site leveling design, piping and wiring system, landscape design, interior decoration design, infrastructure, fire services, intelligence control system, security system, communications system, lightning prevention, civil air defense, power supply system, lighting design, drainage system, air-conditioning facilities and earthquake resistance reinforcement.

#### *Landscape architecture*

The Group's service of landscape architecture includes: (a) landscape design to a wide range of projects, including parks, gardens and residential development, urban design, sports and recreational sites, community and civic spaces, resorts and streetscape; (b) associated study and drawing services for facilitating landscape design, such as production of schematic design, visualisations, detailed design and tender drawings; and (c) associated administration services for facilitating landscaping design, such as statutory submission of landscape master plans, tree survey and site supervision.

### *Town planning*

The Group's service of town planning includes: (a) planning feasibility study of a particular region, city, district and various types of projects, such as residential, commercial, mixed-use, tourist and logistic developments through detailed urban, social, economic, environmental research and analysis; (b) conceptual and detailed master planning and urban design to formulate a master layout plan (MLP), associated design visualisation as well as technical analysis for various types of projects; and (c) statutory planning submission to the Town Planning Board in Hong Kong pursuant to the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong).

### *Interior design*

The Group's service of interior design includes: (a) interior design to different building premises, such as residential, commercial and mixed-use developments; (b) associated drawing services for facilitating interior design, such as feasibility study, production of schematic drawings, detailed drawings and tender drawings; and (c) associated administration services for facilitating interior design, such as administration of fitting out contracts and site supervision.

### *Heritage conservation*

The Group's service of heritage conservation includes: (a) appraisals of historic buildings, diagnostic investigations, including condition survey, measured drawings, photographic and cartographic survey of historic buildings; (b) integrated architecture and conservation design solutions for adaptive reuse or revitalisation of historical buildings or heritages, and urban renewal or regeneration projects with conservation elements; (c) associated drawing services for facilitating the heritage conservation designs, such as feasibility study, production of schematic drawings, detailed drawings and tender drawings; and (d) associated administration services for facilitating the heritage conservation designs, such as statutory submission of a conservation management plan (CMP) and heritage impact assessment (HIA), administration of a building contract and site supervision.

### **Business model**

Being a comprehensive architectural service provider, the Group has an integrated business model covering design, project administration and supervision of a project development. The following table provides an illustration of our business model:

<b>Design</b>	<b>Project Administration</b>	<b>Supervision</b>
<ul style="list-style-type: none"><li>• Diversified project teams</li><li>• Systematic allocation of work</li><li>• Quality control</li></ul>	<ul style="list-style-type: none"><li>• Co-ordination with the consultants and/or contractors</li><li>• Statutory submission(s)</li></ul>	<ul style="list-style-type: none"><li>• Site supervision</li><li>• Building inspection</li><li>• Rectification work</li></ul>

The Group principally obtains business by invited tendering. After the receipt of invitation to tender from its clients, the Group will go through a systematic tender review procedure to make a competitive tender submission. The tender price of our projects is generally based on the estimated project costs plus a mark-up margin. The scope of work depends on the terms of the service contract, which usually determines its role(s) and the stage(s) to be involved in the development project. It also determines the work the Group is required to complete. In general, the Group provides a wide range of services to our clients, including design, feasibility study, production of drawings, statutory submission of building plans and site supervision. Service fee is paid on a lump sum basis and by way of stage payment according to the progress of the project.

For the three years ended 31 December 2014, the Group's success rates of tender were 26.8%, 27.0% and 29.6%, respectively.

If a project is eventually awarded to the Group, a client acceptance evaluation will be conducted to assess the client's credit quality with reference to a number of factors, including its corporate background, reputation, financial position and industry performance. Credit limit and credit period in respect of the project will be assigned upon completion of the client acceptance evaluation. The Group generally offers credit periods from 90 days and up to 180 days to its clients. In order to minimise the credit risk the Group will evaluate the credit limits of clients regularly.

## **Projects**

Most of the Group's revenue was generated from projects located in around 30 cities in the PRC, covering first-tier cities in the coastal regions to third-tier cities in the central and western regions of the PRC. The Group was also involved in projects located in Hong Kong and other markets. The Group provided its services in the offices of Hong Kong, the PRC, and/or the Philippines, cooperated with the local architectural companies with the relevant statutory licences and/or qualifications in the relevant jurisdictions. Through and at its offices, the Group provided the service of conceptual design to projects located in other markets and the relevant local architectural companies which possessed the relevant statutory licences and/or qualifications in those jurisdictions were principally responsible for the execution of such projects.

## **Clients and suppliers**

The Group's clients include: (a) HK Blue-chip Developers; (b) Hong Kong listed developers; (c) Hong Kong unlisted developers; and (d) PRC developers. Its suppliers are the sub-consultants engaged by the Group in its projects. In general, the Group engages sub-consultants for the ancillary and supporting services in the projects, such as model making, animation, computer graphic design, curtain-wall design and engineering consultancy.

## **Business strategies**

Perceiving the market potential of new technology and design sectors, the Group is in the process of enhancing its business edge by introducing new practices such as 3D scanning and printing services, and thematic design services for amusement parks and entertainment centres.

- *3D scanning and printing services*

The Group's 3D scanning and printing services will be provided by Paralab Limited ("**Paralab**"), a non-wholly owned subsidiary of the Company. Targeting clients from both public and private sectors, the Group aims to apply image-based photogrammetry technology for diverse 3D scanning industrial applications. Different from conventional 3D surveying practices, the Group's 3D scanning service is able to generate high-fidelity photos and realistic 3D mesh models. With in-house professional-grade colour 3D printers, the 3D scanned models or other 3D constructed design models can be outputted to physical models precisely in a short lead time by the Group's 3D printing service.

The Directors believe that the Group's new 3D scanning and printing services and technology could create synergy with the Group's existing businesses of architectural design and heritage documentation. Standalone 3D scanning and printing services, such as building documentation, 3D site surveys and construction progress monitoring, may also be provided to third-party clients. Up to 31 December 2014, the Group had incurred expenses of HK\$2.4 million in connection with the above services, mainly including purchase of equipment of HK\$1.0 million and staff costs of HK\$1.3 million. The Directors believe that these services have completed the trial and testing periods, and will be ready to be introduced to the market in the second half of 2015.

- *Thematic design services*

The Group's thematic design services will be conducted by Rhetroactive Design Limited, a non-wholly owned subsidiary of the Company.

The thematic design services aim to help the Group's clients in designing destination-oriented places and spaces such as amusement parks and entertainment centres with a view to enhancing visitors' hospitality and experience. Our target clients will mainly include property developers, intellectual property (such as brands) licence holders, property operators, and government bodies tasked to provide destination entertainment and experience offerings in Mainland China, Hong Kong, East Asia, Southeast Asia, and Central Asia. The Directors are of the view that the introduction of thematic design services will allow the Group to further outreach to property developers and brand owners in the entertainment sector.

Up to 31 December 2014, the Group had already conducted marketing activities for introducing its thematic design services to the market and HK\$0.7 million of expenses has been incurred which mainly represented expenses on marketing and promotion.



Both of the above services will be offered as an integral part of the Group's design services in its existing practice areas of: (a) architecture; (b) landscape architecture; (c) town planning; (d) interior design; and (e) heritage conservation. It is expected that the annual operating and maintenance costs arising from these services will be HK\$2.0 million, which are largely in line with the cost structure of the Group's existing business model. The Directors confirm that, save as the aforesaid, no material adverse impact is expected on the Group's existing business model, cost structure, profit margins and risk profile by the introduction of these services.

### **Material risks associated with the Group's business**

#### *The Group relies heavily on its professional staff*

The Group relies heavily on its professional staff, including its Hong Kong registered architects, PRC registered architects, authorised persons, registered town planners and registered landscape architects to render comprehensive architectural services to its clients. Members of its professional staff may voluntarily serve notice of termination of their employment with the Group at any time and the Group may not be able to retain them. The Group may not be able to find suitable replacement and even if it can find suitable replacement, it may be costly and time-consuming. The loss of the services of these professional staff and failure to find suitable replacements could adversely and significantly affect the Group's operations and financial position.

#### *The Group's continued success depends on its responsiveness to its client's preference*

Comprehensive architectural service is highly dependent on client's preference and culture which are highly subjective in nature. A design that appeals to some clients may not appeal to others. Since preference, culture and expectations vary from developer to developer, the Group must be able to anticipate, identify and respond promptly to their preference in order to achieve a continued success in the industry. If it fails to anticipate or respond to its clients' preference, fails to introduce commercially viable designs or fails to do so in a timely manner, the Group's business and results of operations may be materially and adversely affected.

#### *The Group determines the tender price based on, among other factors, the estimated time and costs involved in a project, which may deviate from the actual time and costs involved*

The Group's projects are generally awarded through competitive tendering. The tender price of a project is based on, among other factors, the estimated time and costs of completing the work. There is no assurance that the actual time spent and the actual costs for a project would fall within the Group's estimation. Many factors may give rise to an unexpected increase in the time and costs involved due to the delay in the projects or increase in complexity of the projects. If the Group is unable to reallocate its resources in an efficient manner or enter into a variation order with its clients, this may result in its profitability to be lower than expected.

*Service fee may not be paid in full due to suspension or failure of clients' projects*

Projects of the Group's clients involve complex procedures that last for a long period of time and contain many inherent risks that could prevent the projects from being completed as originally planned. In general, the Group is not exposed to any liability or penalty due to suspension or failure of clients' projects. However, any suspension or failure to complete clients' projects may have an adverse effect on the Group's liquidity position because its service fee may not be paid in full.

*The Group's business is subject to a number of licences, permits and qualifications*

The Group and its staff must hold the relevant licences and permits to operate its business. Such licences and permits include qualifications of being a registered architect and the Grade A Qualification. Non-compliance with the relevant regulatory requirements may result in refusal by the relevant authorities to renew the relevant licences and permits which would interrupt the Group's business and have a material adverse effect on its operations or financial condition.

*The Group's business and results of operations are affected by the demand for its service from property developers in Hong Kong, which in turn is subject to the performance of the property market in Hong Kong*

The Group's performance and financial condition are significantly dependent on the demand from property developers in Hong Kong. Any downturn in the Hong Kong property market may therefore, decrease the demand for the Group's services, which in turn will adversely affect its performance. In recent years, the government and other regulatory bodies in Hong Kong have introduced certain anti-speculation measures on the property market in Hong Kong. Apart from the government measures, there are numerous factors affecting the property market in Hong Kong and the performance of the property developers, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of land supply. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or should the demand for property in Hong Kong decline, there may be adverse impacts on the business prospect or performance of the property developers or property market as a whole in Hong Kong, resulting in decreasing demand for the Group's services. As such the Group's business and results of operations could be adversely affected.

*The Group's business in the PRC depends on the growth of the PRC property market*

The Group's business in the PRC depends on the growth of the PRC property market. Adverse impact on the PRC property market or the developers in the PRC could have a negative effect on the Group. For instance, a significant adverse impact on the PRC property market could reduce the demand for commercial and residential properties, changes in market conditions, including price instability and an imbalance of supply and demand in respect of commercial and residential properties, which may materially affect the Group's business and results of operations in the PRC.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS

The biographical information of each current Director as at the date of this announcement is as follows:

### Executive Directors

**Mr. Liang Ronald** (梁鵬程), aged 66, was appointed a Director on 13 May 2013 and redesignated as the chairman of the Group and an executive Director on 5 December 2013. Mr. Liang is a founder of the Group and is responsible for the overall corporate development of the Group, managing relationships with clients and exploring new business opportunities. Mr. Liang graduated from the school of architecture of the South Australian Institute of Technology, Adelaide, Australia with a diploma in technology (architecture) in 1975. Mr. Liang is also a director of certain subsidiaries of the Group.

Mr. Liang has over 30 years of experience in the architectural service industry with over 25 years of experience in Hong Kong. Prior to the establishment of Liang Wong Kou & Partners HK in 1985, Mr. Liang developed his career in architectural practices in Australia. Mr. Liang has also gained project experience from numerous projects in Hong Kong, the PRC, Macau and South Korea. In terms of community service, Mr. Liang is currently an executive committee member of the Association of Architectural Practices in Hong Kong. Mr. Liang was appointed as a member of the Board of Architectural Design Assessment Experts of Shenzhen Municipality (深圳市建築設計審查專家庫專家) in 2014.

Mr. Liang has been a registered architect in the state of New South Wales since 1980, an authorised person under the Buildings Ordinance of Hong Kong since 1984, a registered architect in Hong Kong since 1991, and a holder of class 1 registered architect qualification in the PRC since 2004. He also holds memberships in the following institutes:

- the Australian Institute of Architects since 1977;
- the Royal Institute of British Architects since 1981; and
- the Hong Kong Institute of Architects (“**HKIA**”) since 1989.

As at the date of this announcement, Mr. Liang is interested in 83,068,000 Shares held through Rainbow Path International Limited and Veteran Ventures Limited (representing 46.15% of the issued share capital of the Company) and also holds options granted under the Pre-IPO Share Option Scheme to subscribe for a total of 800,000 Shares. Mr. Liang is the sole director and the sole shareholder of Rainbow Path International Limited and Veteran Ventures Limited, and is a controlling shareholder of the Company.

Mr. Liang has entered into a service agreement with the Company for an initial term of three years commencing on 20 December 2013 and, subject to retirement by rotation or re-election in accordance with the Articles of Association, will continue thereafter until terminated in accordance with the terms of the agreement and the initial annual salary for him is HK\$5,100,000. Such salary will be reviewed annually by the Board and the remuneration committee; and he is entitled to a discretionary bonus as the remuneration committee of the Company may recommend to the Board and which the Board may approve.

**Mr. Fu Chin Shing (符展成)**, aged 48, is the compliance officer of the Company and was appointed as the chief executive officer of the Group and an executive Director on 5 December 2013. He joined the Group in 1991 and was promoted to the rank of director in 1998. He is primarily responsible for overseeing the overall operations and strategic planning of the Group, managing relationships with clients and exploring new business opportunities. He graduated from The University of Hong Kong with a bachelor's degree of arts in architectural studies in 1988 and a bachelor's degree in architecture in 1991. Mr. Fu is also a director of certain subsidiaries of the Group.

Mr. Fu has over 22 years of experience in the architectural service industry in Hong Kong and the PRC. He has been an authorised person under the Buildings Ordinance of Hong Kong and a registered architect in Hong Kong since 1993. He holds professional membership in the HKIA since 1992. He is also a class 1 registered architect in the PRC. Mr. Fu was appointed as a member of the Board of Architectural Design Assessment Experts of Shenzhen Municipality (深圳市建築設計審查專家庫專家) in 2014.

As at the date of this announcement, Mr. Fu is interested in 36,632,000 Shares held through Vivid Colour Limited (representing 20.35% of the issued share capital of the Company) and also holds options granted under the Pre-IPO Share Option Scheme to subscribe for a total of 800,000 Shares. Mr. Fu is the sole director and the sole shareholder of Vivid Colour Limited, a substantial shareholder of the Company.

Mr. Fu has entered into a service agreement with the Company for an initial term of three years commencing on 20 December 2013 and, subject to retirement by rotation or re-election in accordance with the Articles of Association, will continue thereafter until terminated in accordance with the terms of the agreement and the initial annual salary for him is HK\$3,900,000. Such salary will be reviewed annually by the Board and the remuneration committee; and he is entitled to a discretionary bonus as the remuneration committee of the Company may recommend to the Board and which the Board may approve.

**Mr. Wang Jun You (王君友)**, aged 50, was appointed as an executive Director on 5 December 2013. Mr. Wang joined the Group with the rank of director in 2011. Mr. Wang is primarily responsible for strategic planning and overseeing the operations in the PRC, managing relationships with clients and exploring new business opportunities. He graduated from Tsinghua University with a master's degree in architecture in 1989.

Mr. Wang has over 25 years of experience in the architectural service industry in the PRC. He has been a class 1 registered architect in the PRC since 2001. Mr. Wang was appointed as a member of the Board of Architectural Design Assessment Experts of Shenzhen Municipality (深圳市建築設計審查專家庫專家) in 2014. Prior to joining the Group, Mr. Wang had gained managerial experience in architectural companies in the PRC. Mr. Wang is a director of a significant subsidiary established in the PRC.

As at the date of this announcement, Mr. Wang is interested in 15,300,000 Shares held through Jun Ming Investments Limited (representing 8.5% of the issued share capital of the Company) and also held options granted under the Pre-IPO Share Option Scheme to subscribe for a total of 800,000 Shares. Mr. Wang is also deemed under the SFO to be interested in 100,000 Shares held by Ms. Li Min, the spouse of Mr. Wang and a member of the senior management of the Group. Mr. Wang is the sole director and the sole shareholder of Jun Ming Investments Limited.

Mr. Wang has entered into a service agreement with the Company for an initial term of three years commencing on 20 December 2013 and, subject to retirement by rotation or re-election in accordance with the Articles of Association, will continue thereafter until terminated in accordance with the terms of the agreement and the initial annual salary for him is HK\$3,500,000. Such salary will be reviewed annually by the Board and the remuneration committee; and he is entitled to a discretionary bonus as the remuneration committee of the Company may recommend to the Board and which the Board may approve.

**Mr. Lo Kin Nang (盧建能)**, aged 45, was appointed as an executive Director on 5 December 2013. He joined the Group in 1997 and was promoted to the rank of director in 2010. He is responsible for strategic planning, corporate development and overseeing the operations in Hong Kong. He graduated from the University of New South Wales in Australia with a bachelor's degree in architecture in 1996.

Mr. Lo has over 18 years of experience in the architectural service industry mainly in Hong Kong by being involved in projects in Hong Kong and the PRC. He served as a member of the Evaluation Expert Board of Construction Project Tenders under the Housing and Construction Bureau of Shenzhen Municipality (深圳市住房和建設局建設工程評標專家庫專家成員) in 2012.

Mr. Lo has been a registered architect in Hong Kong since 2001 and a BEAM Pro since 2011. He holds professional membership in the HKIA since 2001. He is also a class 1 registered architect in the PRC.

As at the date of this announcement, Mr. Lo holds options granted under the Pre-IPO Share Option Scheme to subscribe for a total of 800,000 Shares.

Mr. Lo has entered into a service agreement with the Company for an initial term of three years commencing on 20 December 2013 and will continue thereafter until terminated in accordance with the terms of the agreement and the initial annual salary for him is HK\$2,500,000. Such salary will be reviewed annually by the Board and the remuneration committee; and he is entitled to a discretionary bonus as the remuneration committee of the Company may recommend to the Board and which the Board may approve.

**Mr. Ng Kwok Fai (吳國輝)**, aged 44, was appointed as an executive Director on 5 December 2013. He initially joined the Group in 1996 and later rejoined in 2004. He was promoted to the rank of director in 2010 and is responsible for overseeing the operations in Hong Kong. He graduated from The University of Hong Kong with a bachelor's degree in arts (architectural studies) in 1992 and a master's degree in architecture in 1995.

Mr. Ng has over 16 years of experience in the architectural service industry in Hong Kong. He was involved in the Group's projects in Hong Kong and the PRC.

Mr. Ng has been a registered architect in Hong Kong since 1998 and an authorised person under the Buildings Ordinance of Hong Kong since 1999. He holds professional membership in the HKIA since 1998. He is also a class 1 registered architect in the PRC.

As at the date of this announcement, Mr. Ng held options granted under the Pre-IPO Share Option Scheme to subscribe for a total of 800,000 Shares.

Mr. Ng has entered into a service agreement with the Company for an initial term of three years commencing on 20 December 2013 and will continue thereafter until terminated in accordance with the terms of the agreement and the initial annual salary for him is HK\$2,500,000. Such salary will be reviewed annually by the Board and the remuneration committee; and he is entitled to a discretionary bonus as the remuneration committee of the Company may recommend to the Board and which the Board may approve.

**Mr. He Xiao (何曉)**, aged 48, was appointed as an executive Director on 5 December 2013. He joined the Group with the rank of director in 2007 and is responsible for overseeing the operations in the PRC, managing relationships with clients and exploring new business opportunities. He graduated from Huazhong University of Science & Technology (華中科技大學) in 1988 with a bachelor's degree in architecture. Mr. He is also a director of certain subsidiaries of the Group.

Mr. He has over 10 years of experience in the architectural service industry. He has gained project experience by being involved in architectural design, urban and landscape design projects in the PRC. A number of projects in which he has participated have received awards from industry associations, including the Outstanding Project Exploration and Design Prize (優秀工程勘察設計獎) by the Exploration and Design Association of Shenzhen Municipality (深圳市勘察設計行業協會) in 2012 and 2014, and the Overall Golden Prize of Best Architectural Design in the 7th Model Chinese Residential Architectural Planning and Design Competition (第七屆中國人居典範建築規劃設計方案最佳建築設計競賽綜合金獎) by the Association of Chinese Architecture Studies (中國民族建築研究會) in 2010. Mr. He was appointed as a member of the Board of Architectural Design Assessment Experts of Shenzhen Municipality (深圳市建築設計審查專家庫專家) in 2014.

As at the date of this announcement, Mr. He holds options granted under the Pre-IPO Share Option Scheme to subscribe for a total of 800,000 Shares.

Mr. He has entered into a service agreement with the Company for an initial term of three years commencing on 20 December 2013 and will continue thereafter until terminated in accordance with the terms of the agreement and the initial annual salary for him is HK\$2,500,000. Such salary will be reviewed annually by the Board and the remuneration committee; and he is entitled to a discretionary bonus as the remuneration committee of the Company may recommend to the Board and which the Board may approve.

## **Independent non-executive Directors**

**Mr. Lo Wai Hung (盧偉雄)**, aged 55, was appointed as an independent non-executive Director on 5 December 2013. He graduated from James Cook University of North Queensland with a bachelor's degree in commerce in 1985. He is an associate member of the Institute of Chartered Accountants in Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lo is an independent non-executive director of Shandong Weigao Group Medical Polymer Company Limited (stock code: 1066) and Talent Property Group Limited (stock code: 760), the shares of both companies are listed on the Stock Exchange and an independent director of China Merchant Property Development Co. Ltd. (stock code: 000024), the shares of which are listed on the Shenzhen Stock Exchange. Mr. Lo was also an independent non-executive director of Ngai Lik Industrial Holdings Limited (currently known as Yuan Heng Gas Holdings Limited) (stock code: 332), the shares of which are listed on the Stock Exchange, between May 2011 to January 2013.

Mr. Lo has entered into a service agreement with the Company for an initial term of three years commencing on 20 December 2013 and, subject to retirement by rotation or re-election in accordance with the Articles of Association, will continue thereafter until terminated in accordance with the terms of the agreement and the initial annual salary for him is HK\$150,000.

**Mr. Wang Julius (王哲身)**, aged 53, was appointed as an independent non-executive Director on 5 December 2013. He received his undergraduate studies in economics at the University of New Hampshire and a master's degree in business administration from Harvard Business School in 1991. Mr. Wang has experience in the investment management industry, and was most recently a managing director of Samena Asia Managers Limited between 2009 and 2014. Mr. Wang was previously a managing director of China Apollo Holdings Limited (currently known as China Grand Pharmaceutical and Healthcare Holdings Limited) (stock code: 512) between 1997 and 1998 and a non-executive director of Symphony Holdings Limited (stock code: 1223) in 2001, the shares of both companies are listed on the Stock Exchange.

Mr. Wang has entered into a service agreement with the Company for an initial term of three years commencing on 20 December 2013 and, subject to retirement by rotation or re-election in accordance with the Articles of Association, will continue thereafter until terminated in accordance with the terms of the agreement and the initial annual salary for him is HK\$150,000.

**Mr. Yu Chi Hang (alias, Yue Chi Hang) (余熾鏗)**, aged 66, was appointed as an independent non-executive Director on 5 December 2013. He graduated from The University of Hong Kong with a bachelor's degree in architectural studies in 1972 and a bachelor's degree in architecture in November 1974. He also holds professional membership in the HKIA since 1976. Mr. Yu has over 32 years of service with the Hong Kong government. He joined the Hong Kong government as graduate architect in 1976 and was promoted to chief architect in February 1988. He was appointed as the deputy director of the Architectural Services Department in July 1998. He took up the position of director of the Architectural Services Department in November 2002 and retired in July 2009. Mr. Yu received the Silver Bauhinia Star award from the Hong Kong government in 2009 and was previously an official Justice of the Peace.

Mr. Yu has entered into a service agreement with the Company for an initial term of three years commencing on 20 December 2013 and, subject to retirement by rotation or re-election in accordance with the Articles of Association, will continue thereafter until terminated in accordance with the terms of the agreement and the initial annual salary for him is HK\$150,000.

Save as disclosed above, (i) none of the Directors has been a director of other listed entities for the three years immediately preceding the date of this announcement; (ii) none of the Directors have any interest in the Shares within the meaning of Part XV of the SFO; (iii) none of the Directors have any relationship with any other Directors, senior management or substantial shareholder or controlling shareholder of the Company; and (iv) to the best knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Main Board Listing Rules.

## COMPETING INTERESTS

As at the date of this announcement, none of the controlling shareholders of the Company, the Directors and their respective close associates has any interest in any business which competes or potentially competes, either directly or indirectly, with the business of the Group.

## SUMMARY OF THE GROUP'S FINANCIAL PERFORMANCE

The following table sets forth the selected financial information of the Group for the three years ended 31 December 2014 and the three months ended 31 March 2015:

	Year ended 31 December			Three months ended
	2012	2013	2014	31 March 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)
Revenue	268,282	324,007	384,384	94,569
Cost of services	(209,756)	(231,561)	(269,832)	(66,949)
Gross profit	58,526	92,446	114,552	27,620
Other income	351	840	302	237
Other gains and losses	721	1,152	(2,285)	28
Administrative expenses	(24,639)	(57,522)	(75,073)	(18,367)
Listing expenses	–	(16,086)	–	–
Finance costs	(64)	(143)	(93)	(21)
<b>Profit before taxation</b>	<b>34,895</b>	<b>20,687</b>	<b>37,403</b>	<b>9,497</b>
Income tax expenses	(7,667)	(9,515)	(9,112)	(2,164)
<b>Profit for the year/period</b>	<b>27,228</b>	<b>11,172</b>	<b>28,291</b>	<b>7,333</b>
<b>Profit (loss) for the year/ period attributable to:</b>				
Owners of the Company	25,355	8,978	28,798	7,496
Non-controlling interests	1,873	2,194	(507)	(163)
	<b>27,228</b>	<b>11,172</b>	<b>28,291</b>	<b>7,333</b>



## Revenue

### *By business activities*

The following table sets out the breakdown of the Group's revenue by principal practice areas for the three years ended 31 December 2014 and the three months ended 31 March 2015:

	2012		Year ended 31 December				Three months ended	
	HK\$'000 (audited)	%	2013 HK\$'000 (audited)	%	2014 HK\$'000 (audited)	%	31 March 2015 HK\$'000 (unaudited)	%
Architecture	240,563	89.7%	303,284	93.6%	347,062	90.3%	85,690	90.6%
Landscape architecture, town planning, interior design and heritage conservation	27,719	10.3%	20,723	6.4%	37,322	9.7%	8,879	9.4%
	<u>268,282</u>	<u>100.0%</u>	<u>324,007</u>	<u>100.0%</u>	<u>384,384</u>	<u>100.0%</u>	<u>94,569</u>	<u>100.0%</u>

### *By geographical location*

The following table sets out the breakdown of the Group's revenue by geographical location of the project for the three years ended 31 December 2014 and the three months ended 31 March 2015:

	2012		Year ended 31 December				Three months ended	
	HK\$'000 (audited)	%	2013 HK\$'000 (audited)	%	2014 HK\$'000 (audited)	%	31 March 2015 HK\$'000 (unaudited)	%
Hong Kong	69,861	26.0%	76,991	23.8%	118,131	30.7%	30,588	32.3%
PRC	197,414	73.6%	241,545	74.5%	255,772	66.6%	62,106	65.7%
Others	1,007	0.4%	5,471	1.7%	10,481	2.7%	1,875	2.0%
	<u>268,282</u>	<u>100.0%</u>	<u>324,007</u>	<u>100.0%</u>	<u>384,384</u>	<u>100.0%</u>	<u>94,569</u>	<u>100.0%</u>

## Gross profit and gross profit margin

The following table sets out the Group's gross profit and gross profit margin for the three years ended 31 December 2014 and the three months ended 31 March 2015:

	2012		Year ended 31 December				Three months ended	
			2013		2014		31 March 2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(audited)		(audited)		(audited)		(unaudited)	
Architecture	51,362	21.4%	90,476	29.8%	104,390	30.1%	24,816	29.0%
Landscape architecture, town planning, interior design and heritage conservation	7,164	25.8%	1,970	9.5%	10,162	27.2%	2,804	31.6%
	<u>58,526</u>	<u>21.8%</u>	<u>92,446</u>	<u>28.5%</u>	<u>114,552</u>	<u>29.8%</u>	<u>27,620</u>	<u>29.2%</u>

The Group recorded an increase of gross profit margin from 21.8% for the year ended 31 December 2012 to 28.5% for the year ended 31 December 2013, as the Group initiated to streamline the work flow of its projects in order to maximise the efficiency of the project budget costs during the year (for example, increasing proportion of certain parts of the work for projects, e.g. sketches and drawings, has been allocated to PRC staff who are of a lower man-hour charging rate than Hong Kong staff). Since then, as a result of the aforesaid cost control policies, the gross profit margin of the Group remained stable at 29.8% and 29.2% for the year ended 31 December 2014 and the three months ended 31 March 2015.

## Material fluctuations

### *Other gains and losses*

Other gains and losses of the Group decreased significantly from a gain of HK\$1.2 million for the year ended 31 December 2013 to a loss of HK\$2.3 million for the year ended 31 December 2014. This was due to a loss from the disposal of property, plant and equipment of HK\$0.7 million recognised in the year ended 31 December 2014, whereas a gain on the disposal of property plant and equipment of HK\$1.7 million was recognised in the year ended 31 December 2013. Moreover, a net foreign exchange loss of HK\$0.4 million was recognised in the year ended 31 December 2014; in the year ended 31 December 2013, a gain of HK\$0.7 million was recognised.

### *Administrative expenses*

Administrative expenses increased from HK\$57.5 million for the year ended 31 December 2013 to HK\$75.1 million for the year ended 31 December 2014. This was due to an increase in office expenditure and staff cost as a result of the increase of average salary, bonus and headcount and the office expansion in 2014. During the year ended 31 December 2014, staff cost increased by HK\$7.8 million and other office expenditure increased by HK\$14.9 million; the increase was offset by a decrease in one-off share-based payment of HK\$5.2 million paid to one of the Directors in 2013.

### **Progress billings receivable from contract customers**

Progress billings receivable from contract customers primarily comprised amounts billed to clients for services already provided, but which have not yet been collected. Generally, the Group issues progress billings upon the completion of a particular stage of work or the achievement of a certain milestone pursuant to the payment schedule as stipulated in the service contracts. There are also circumstances where the Group is permitted to submit invoices in advance of providing its services to its clients and, to the extent they have not been collected and according to the terms of specific contracts, these amounts are also included in progress billings receivable from contract customers.

Carrying amount of progress billings receivable from contract customers is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an progress billings receivable from a contract customer is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

The following table sets out the Group's progress billings receivable from contract customers positions as at 31 December 2014:

	<b>As at 31 December 2014</b> <i>HK\$'000</i>
Gross amount	109,030
Less: Allowance for doubtful debts	<u>(3,029)</u>
	<u>106,001</u>

The following table sets out the Group's subsequent settlement up to the Latest Practicable Date and aging of progress billings receivable at 31 December 2014 (by overdue days):

	<b>As at 31 December 2014</b>	<b>Subsequent settlement up to the Latest Practicable Date</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Current	47,104	39,018	82.8%
Past due but not impaired			
Past due within 30 days	14,584	13,667	93.7%
Past due over 30 days and within 90 days	19,473	14,452	74.2%
Past due over 90 days and within 180 days	6,814	3,368	49.4%
Past due over 180 days	18,026	6,690	37.1%
	<u>106,001</u>	<u>77,195</u>	<u>72.8%</u>

As at 31 December 2014, included in the Group's progress billings receivable balances were debtors with aggregate carrying amount of HK\$58.9 million which were past due but the Group had not provided for allowance for doubtful debts.

Payments for billed service fees by the Group's clients are normally made after the required approval by the relevant authorities is obtained and/or verification of the services rendered to the Group's clients is completed. Such process could be lengthy and may take longer than the credit periods granted by the Group to the relevant clients.

In particular, for the outstanding progress billings receivable balance which were past due over 180 days of HK\$18.0 million, HK\$7.0 million has been subsequently settled. The remaining balance was mainly attributed to a HK Blue-chip Developer, who was also the Group's major customer in prior years, in relation to the architectural service already provided by the Group for this client's large-scale, complicated mixed-use development project with a contract sum of HK\$88.3 million. To the best knowledge, information and belief of the Directors after having made reasonable enquiries, the HK Blue-chip Developer is one of the most established listed property developers in Hong Kong, and its major business includes development of large-scale commercial, office and residential properties for sale and lease in Hong Kong and the PRC. As at the date of this announcement, the service contract of this project is yet to be signed primarily as a result of the involvement of a number of sub-consultants engaged or to be engaged by the Group for certain ancillary and supporting services as well as the specific requirement from the client for an additional tripartite agreement to be signed between the client, the Group and a third-party PRC local design institute for the provision of consultancy service by the design institute for the project, which would normally be covered by an agreement involving only the client and the design institute. Accordingly, the Group has undergone lengthy discussions with the client and the design institute to record in writing the specification, standards and scope of work of the project, which also has to be reflected in the

engagements of the sub-consultants to ensure their work would be in line with the terms set out in the main project contract. These complications in terms of alignment amongst various parties have lengthened the finalisation of the underlying project contract. Nevertheless, a letter of intent was signed between the HK Blue-chip Developer and the Group to authorise the Group to commence services. Invoices were subsequently issued to its PRC subsidiary based on the services already provided by the Group. However, to the best of the knowledge and information of the Directors after due and careful enquiry, various administrative procedures under the control of foreign exchange imposed by the PRC were required to be undertaken, including the submission of a signed project contract, before the PRC subsidiary can settle the invoiced amount and therefore led to the long overdue balances. In response, the Group negotiated with the client and received a deposit equivalent to the invoiced amount from its Hong Kong subsidiary to avoid interruption of the project. It was agreed that such deposit shall be refunded to the client's Hong Kong subsidiary upon the settlement of the outstanding invoices by its PRC subsidiary. As at the Latest Practicable Date, deposit of HK\$18.8 million has been received from the client's Hong Kong subsidiary which has not been offset with the progress billings receivable but recognised as a liability of the Group instead. In particular, HK\$8.8 million of the aforesaid deposit is intended to match with the outstanding progress billings receivable balance which were past due over 180 days in relation to the development project mentioned above.

After taking into consideration of the HK Blue-chip Developer's background, its financial condition, the business relationship and track record with the Group of over 10 years as well as the deposit held by the Group, the Directors are of the view that the risk of failing to fully recover such overdue progress billing receivables is relatively low. On the basis that the Group has retained a deposit equivalent to the invoiced amount from its Hong Kong subsidiary which will only be refunded upon the full settlement of the outstanding invoices by its PRC subsidiary, the overdue balance against this HK Blue-chip Developer (which was granted a credit period of 180 days) has not affected the cash flow of the Group and does not represent a significant change in credit quality of the Group. The Directors confirm that there has been no dispute between the Group and the client in respect of such overdue progress billing receivables, and the Group anticipates that a formal project contract will be signed with this HK Blue-chip Developer's PRC subsidiary within the third quarter of 2015. Once it has been signed, the Group will assist the client's PRC subsidiary to complete the administration procedures in order for it to settle the outstanding balances.

Up to the Latest Practicable Date, out of the overdue balance of HK\$58.9 million, HK\$38.2 million has been subsequently settled. The Directors are of the view that the remaining unsettled balance of HK\$20.7 million, which includes the balance of HK\$15.1 million attributed to the aforesaid HK Blue-chip Developer, will not materially affect the Group's liquidity position, as the Group has also secured HK\$16.5 million of deposit from the overdue clients to secure the Group's services.

### *Internal control measures on progress billings receivable collection*

In order to manage the credit risks associated with progress billings receivable from contract customers effectively, the Group adopts the following internal control measures:

- (a) before accepting any new customer, the Group conducts research on the creditworthiness of the new customer and assesses the potential customer's credit quality. Credit limits of customers are also evaluated periodically;
- (b) the finance department, from time to time, notifies responsible project teams of the status of outstanding progress billings receivable of individual projects. The responsible project teams have to follow up closely with the relevant customers in respect of the settlement of outstanding progress billings receivable;
- (c) an ageing report of outstanding progress billings receivable would be prepared by the finance department on a monthly basis and submitted to the Directors for their attention; and
- (d) after taking into account the monthly ageing report and responsible project teams' updates on the status of settlement of outstanding progress billings, the Directors will determine (i) the appropriate follow up actions to be carried out to collect the overdue receivables; (ii) whether any provision should be made to the overdue receivables; and (iii) whether any legal action should be taken by the Group, and grant the approval for actions to the relevant department(s) accordingly.

Through the adoption of these measures, the management of the Group considers that its credit risk associated with progress billings receivable is significantly reduced.

### **NON-COMPLIANCE INCIDENT**

In June 2014, as requested by Hainan Provincial Department of Housing and Urban-Rural Development (“**Hainan DOHURD**”), Liang Wong Kou Architectural Design (Shenzhen) Co., Ltd. (梁黃顧建築設計(深圳)有限公司) (formerly known as Shenzhen Liang Wong Kou Yiheng Architectural Design Co., Ltd. (深圳市梁黃顧藝恒建築設計有限公司)) (“**LWK Shenzhen**”), an indirect non-wholly owned subsidiary of the Company, submitted the project documentation in relation to an architectural design project of schools and their ancillary facilities in Sanya, Hainan to Hainan DOHURD for inspection on whether the project met the applicable survey and design quality standards. Due to the departure of the responsible project staff at the material time and the archiving of documents during the relocation of LWK Shenzhen's office, one of the structural calculations relating to the project was inadvertently omitted from the said submission. Shortly upon being aware of such omission, LWK Shenzhen submitted the structural calculation.

Due to the aforesaid inadvertent delay in filing, LWK Shenzhen was considered having not fully complied with the request by Hainan DOHURD purely at administrative level. Subsequent to the submission, LWK Shenzhen had not received any rectification orders of the design quality or substandard works or any notices of failed inspections in connection with

the relevant project from Hainan DOHURD. In view of this administrative non-compliance, Hainan DOHURD would monitor LWK Shenzhen's strengthening of its document management of design projects as part of its quality control for 12 months starting from 12 December 2014. As advised by the PRC legal advisers of LWK Shenzhen, during this 12-month period, Hainan DOHURD may request LWK Shenzhen to submit project documentation of its design projects, which will include similar range of documents as requested in its inspection conducted in June 2014, for its random inspection to ensure LWK Shenzhen has maintained proper filing and recording of the project documents. The Directors confirm that, since the commencement of the 12-month period, LWK Shenzhen has not received any request from Hainan DOHURD for the submission of design documentation of its projects for inspection. As advised by the PRC legal advisers of LWK Shenzhen, under the Management Measures (Trial) for the Registration of Operations in Hainan Province by Out-of-Province Construction Enterprises (《省外建築業企業進海南省開展業務備案管理辦法(試行)》), LWK Shenzhen's operations registration in Hainan may be revoked only if LWK Shenzhen fails Hainan DOHURD's quality and safety inspections three times within two years, and this incident of delay in filing does not constitute such failure by nature.

The Directors confirm that the inadvertent non-compliance was purely administrative and had been promptly rectified by the submission of the required structural calculation in October 2014. The incident has not resulted in any material adverse operational and financial impact on LWK Shenzhen and the Group in Hainan (which contributed 2.3%, 0.5% and 0.7% of the Group's revenue during the three years ended 31 December 2014, respectively) and the PRC. Save as the aforesaid, LWK Shenzhen has not been imposed any penalties, fines and sanctions by Hainan DOHURD or other government authorities in relation to the incident. The relevant project has been completed and satisfactorily accepted by the client, and the related service fee of HK\$2.2 million has been recognised as revenue in the relevant accounting period. As advised by the PRC legal advisers of LWK Shenzhen, as this inadvertent non-compliance does not fall into any of the circumstances stipulated under the Regulations on the Management of the Survey and Design Qualifications of Construction Engineering (《建設工程勘察設計資質管理規定》) and the Administrative Regulations for Survey and Design Qualifications of Guangdong Province (《廣東省建設工程勘察設計管理條例》) that would lead to the revocation of architectural engineering design qualifications, the incident would not result in any impediment to maintain and/or renew LWK Shenzhen's major qualification, namely its Grade A Qualification, going forward.

Save as the aforesaid, the Directors confirm that (i) LWK Shenzhen has been in compliance with the applicable standards as required under the relevant laws and regulations; and (ii) LWK Shenzhen has not been involved in any substandard works which may otherwise give rise to any penalties, fines, suspensions or other sanctions during the three years ended 31 December 2014 and up to the date of this announcement.

The Group has maintained a documented quality management system which complied with ISO9001:2008 (*Quality management systems*) prior to the incident. In light of the incident and as part of the Group's continuous effort to improve the effectiveness of the system, the Group has enhanced its document management policy of the system in accordance with the standards under ISO9001:2008 (*Quality management systems*) and ISO/TR10013:2001 (*Guidelines for quality management system documentation*) with a stress of improving the Group's dissemination channels of project documentation and preservation of work done. A dedicated

team of staff is responsible for regularly monitoring the project documentation and will liaise with the relevant government authorities upon the receipt of any document requisition to ensure prompt and proper submission of the required documents for inspection. Furthermore, the Group has implemented a central file management and handling system to handle the process of archiving and retrieval of project documentation. The management of the Group has also held meetings with and provided training sessions to its staff in November 2014 and December 2014 to discuss and reiterate the importance of keeping proper records with a view to preventing future recurrence of the incident. The Group will conduct on-going training to and meeting with its staff on a quarterly basis to enhance their awareness of the compliance of the document management policy. The Directors are also satisfied that the Group's quality control management system, including the enhanced document management policy, is in compliance with the requirements of ISO 9001:2008 as applicable to the provision of architectural service by the Group.

Accordingly, the Directors are of the view that the enhanced internal control measures are adequate and effective to prevent future recurrence of the non-compliance incident. Going forward, the management of the Group will closely monitor the implementation of the enhanced internal control measures to ensure on-going compliance with the relevant rules and regulations.

## **RECENT DEVELOPMENT**

The Group has announced its first quarterly results on 11 May 2015. During the three months ended 31 March 2015, the Group maintained a steady growth of 15.5% in revenue when compared with that in the corresponding period of 2014, secured 30 new contracts with a total contract sum of HK\$58.0 million, and expanded the scope of work of existing contracts and secured HK\$20.4 million of additional job orders on these existing contracts. As at 31 March 2015, the Group had remaining contract sums of HK\$1,033.0 million. Architecture, contributing 90.6% of the revenue, continued to be the mainstream of practice of the Group.

Beside architecture, the services of (a) landscape architecture; (b) town planning; (c) interior design; and (d) heritage conservation maintained their stable contribution to the revenue of the Group.

The first quarterly results of the Group has been set out in the section headed "Summary of the Group's Financial Performance" above in this announcement.

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 intense competition.

With the slowdown of the economic growth of the PRC, the PRC property market has stepped into a consolidation period, which will pose challenges to the Group's performance in future. In terms of secured contract sum, in the first quarter of 2015, the Group has secured new contracts and additional job orders with aggregate contract value of HK\$78.4 million; when compared with 2014, with HK\$108.3 million new contract sum per quarter on average (new contract sum in 2014: HK\$433.0 million), represented a decrease of 27.6%.



In response to the cooling down of the PRC property markets the Directors will take strategic moves to explore new business opportunities during the consolidation period of property market in the PRC. Moreover, the Group plans to increase its participation in selected overseas markets, especially in Southeast Asia. The Group will also consider extending its business reach by mergers and acquisitions, with an aim to secure new clientele while maximising its existing strength and capture business potential ahead. Up to the Latest Practicable Date, the Group has not identified any such investment opportunities.

Moreover, the Directors believe that the remaining contract sum of the Group's contracts as at 31 March 2015 in the amount of HK\$1,033.0 million will provide stable income source to the Group for the next couple of years. Among these contract sums, HK\$256.5 million is expected to be recognised in the remaining 9-month period ending 31 December 2015 and HK\$285.8 million is expected to be recognised in the year ending 31 December 2016. The Group expects the remaining contract sum of HK\$490.7 million will be fully realised by the end of 2018.

Based on the Group's latest operational performance and saved as disclosed above, the Company confirms that there are no unfavourable trends or developments which may have a material adverse impact on the Group's business and financial performance subsequent to 31 December 2014.

## **REGULAR PUBLICATION OF RESULTS**

Upon the Transfer of Listing, the Company will cease the practice of quarterly reporting of financial results and will follow the relevant requirements of the Main Board Listing Rules which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board is of the view that the investors and Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Main Board Listing Rules.

## **PUBLIC FLOAT**

The Directors confirm that approximately 25% of the total issued share capital of the Company is held by the public (as defined in the Main Board Listing Rules) as at the close of trading on 24 July 2015. Accordingly, the minimum public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for viewing on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.cchengholdings.com](http://www.cchengholdings.com):

- (a) the Memorandum of Association and the Articles of Association;
- (b) the interim report of the Company for the six months ended 30 June 2014;

- (c) the Directors' report and the annual report of the Company for the financial year ended 31 December 2014;
- (d) the first quarterly report of the Company for the three months ended 31 March 2015;
- (e) the circular of the Company dated 31 March 2014 in respect of the general mandates to issue and repurchase Shares, re-election of Directors, re-appointment of auditors and notice of annual general meeting;
- (f) the circular of the Company dated 31 March 2015 in respect of the general mandates to issue and repurchase Shares, re-election of Directors, re-appointment of auditors and notice of annual general meeting; and
- (g) a copy of each of the announcements and other corporate communications made by the Company as required under the GEM Listing Rules and the Main Board Listing Rules.

## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company adopted on 5 December 2013
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“close associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Company”	C Cheng Holdings Limited (思城控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are currently listed on GEM (stock code: 8320)
“controlling shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules and, in the context of this announcement, includes Mr. Liang Ronald, Rainbow Path International Limited and Veteran Ventures Limited
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Grade A Qualification”	architectural engineering design qualification of architectural industry – Grade A (建築行業(建築工程)甲級資質), a specialist qualification for design of construction projects in the PRC
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Blue-chip Developers”	a market terminology which generally means the Hong Kong listed companies principally engaged in property development and being categorised as the Hang Seng Index constituent stocks
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	10 June 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM, and for the avoidance of doubt, it does not include GEM for the purpose hereof
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Association”	the memorandum of association of the Company adopted on 5 December 2013
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and the Taiwan region
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 5 December 2013 which was effective from 5 December 2013 to 19 December 2013
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Share(s)”	the ordinary shares of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 5 December 2013 which is effective for a period of ten years commencing on 5 December 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of the Main Board Listing Rules
“%”	<i>per cent.</i>

By order of the Board  
**C Cheng Holdings Limited**  
**Liang Ronald**  
*Chairman*

Hong Kong, 24 July 2015

*As at the date of this announcement, the 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](http://www.hkgem.com) for at least 7 days from the date of its publication and will also be published on the “Listed Company Information” page of the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company’s website at [www.cchengholdings.com](http://www.cchengholdings.com).*