# C CHENG HOLDINGS LIMITED
# 思城控股有限公司

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

**(Stock Code: 1486)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

**FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2015, the financial results of the Group were as follows:

– Revenue of the Group was HK$354,799,000 (2014: HK$384,384,000), representing a decrease of 7.7% from the previous year;

– The profit for the year was HK$27,089,000, as compared to HK$28,291,000 in the previous year, representing a decrease of 4.2% from the previous year;

– Basic earnings per share for the year based on weighted average number of ordinary shares of approximately 181,396,000 (2014: 180,000,000) in issue was HK15.3 cents (2014: HK16.0 cents);

– Diluted earnings per share for the year based on weighted average number of ordinary shares of approximately 187,888,000 (2014: 181,080,000) in issue was HK14.7 cents (2014: HK15.9 cents); and

– Final dividend of HK2.0 cents per share was proposed for the year.

## ANNUAL RESULTS

The board of Directors of the Company (the "**Board**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015, 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 2015*

| | *Notes* | **2015** <br> ***HK$'000*** | 2014 <br> *HK$'000* |
|---|---|---|---|
| Revenue | *3* | **354,799** | 384,384 |
| Cost of services | | **(255,359)** | (269,832) |
| **Gross profit** | | **99,440** | 114,552 |
| Other income | *4* | **678** | 302 |
| Other gains and losses | *5* | **(282)** | (2,285) |
| Administrative expenses | | **(63,032)** | (75,073) |
| Transfer of listing expenses | | **(1,785)** | – |
| Finance costs | *6* | **(99)** | (93) |
| **Profit before taxation** | *7* | **34,920** | 37,403 |
| Income tax expense | *8* | **(7,831)** | (9,112) |
| **Profit for the year** | | **27,089** | 28,291 |
| **Other comprehensive expense** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation | | **(2,659)** | (1,137) |
| **Other comprehensive expense for the year** | | **(2,659)** | (1,137) |
| **Total comprehensive income for the year** | | **24,430** | 27,154 |
| **Profit (loss) for the year attributable to:** | | | |
| Owners of the Company | | **27,666** | 28,798 |
| Non-controlling interests | | **(577)** | (507) |
| | | **27,089** | 28,291 |
| **Total comprehensive income (expense) for the year attributable to:** | | | |
| Owners of the Company | | **25,022** | 27,664 |
| Non-controlling interests | | **(592)** | (510) |
| | | **24,430** | 27,154 |
| **Earnings per share (expressed in HK cents)** | *9* | | |
| Basic | | **15.3** | 16.0 |
| Diluted | | **14.7** | 15.9 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2015*

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *11* | **17,959** | 23,262 |
| Goodwill | *12* | **21,196** | 4,779 |
| Intangible assets | | **1,592** | 1,744 |
| Rental and utility deposits | | **5,720** | 5,892 |
| Deferred tax assets | | **390** | 147 |
| | | **46,857** | 35,824 |
| **Current assets** | | | |
| Held for trading investments | *13* | **757** | 688 |
| Amounts due from customers for contract work | | **146,164** | 136,685 |
| Progress billings receivable from contract customers | *14* | **105,523** | 106,001 |
| Prepayments and other receivables | | **3,091** | 2,426 |
| Pledged bank deposits | | **2,546** | 2,545 |
| Bank balances and cash | | **58,116** | 55,533 |
| | | **316,197** | 303,878 |
| **Current liabilities** | | | |
| Trade payables | *15* | **3,567** | 5,467 |
| Accruals and other payables | | **55,254** | 66,737 |
| Amounts due to customers for contract work | | **114,901** | 127,638 |
| Obligations under finance leases | *16* | **370** | 346 |
| Income tax payable | | **5,606** | 5,551 |
| | | **179,698** | 205,739 |
| **Net current assets** | | **136,499** | 98,139 |
| **Total assets less current liabilities** | | **183,356** | 133,963 |
| **Non-current liabilities** | | | |
| Obligations under finance leases | *16* | **306** | 676 |
| Deferred tax liabilities | | **2,719** | 3,098 |
| | | **3,025** | 3,774 |
| **Net assets** | | **180,331** | 130,189 |
| **Capital and reserves** | | | |
| Issued capital | *17* | **1,936** | 1,800 |
| Reserves | | **178,744** | 128,739 |
| Equity attributable to owners of the Company | | **180,680** | 130,539 |
| Non-controlling interests | | **(349)** | (350) |
| **Total equity** | | **180,331** | 130,189 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2015*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Issued capital** *HK$'000* | **Share premium** *HK$'000* | **Statutory reserve** *HK$'000* *(Note a)* | **Share option reserve** *HK$'000* | **Other reserve** *HK$'000* *(Note c)* | **Exchange reserve** *HK$'000* | **Retained profits** *HK$'000* | **Total** *HK$'000* | **Non-controlling interests** *HK$'000* | **Total** *HK$'000* |
| At 1 January 2014 | 1,800 | 83,682 | 2,826 | 114 | (47,070) | 7,920 | 52,305 | 101,577 | 153 | 101,730 |
| Profit (loss) for the year | – | – | – | – | – | – | 28,798 | 28,798 | (507) | 28,291 |
| Exchange differences arising on translation | – | – | – | – | – | (1,134) | – | (1,134) | (3) | (1,137) |
| Total comprehensive income (expense) for the year | – | – | – | – | – | (1,134) | 28,798 | 27,664 | (510) | 27,154 |
| Transfer to statutory reserve | – | – | 505 | – | – | – | (505) | – | – | – |
| Recognition of equity-settled share-based payments | – | – | – | 1,298 | – | – | – | 1,298 | – | 1,298 |
| Capital contribution from non-controlling shareholders of subsidiaries | – | – | – | – | – | – | – | – | 7 | 7 |
| At 31 December 2014 | 1,800 | 83,682 | 3,331 | 1,412 | (47,070) | 6,786 | 80,598 | 130,539 | (350) | 130,189 |
| Profit (loss) for the year | – | – | – | – | – | – | 27,666 | 27,666 | (577) | 27,089 |
| Exchange differences arising on translation | – | – | – | – | – | (2,644) | – | (2,644) | (15) | (2,659) |
| Total comprehensive income (expense) for the year | – | – | – | – | – | (2,644) | 27,666 | 25,022 | (592) | 24,430 |
| Transfer to statutory reserve | – | – | 1,082 | – | – | – | (1,082) | – | – | – |
| Recognition of equity-settled share-based payments | – | – | – | 2,225 | – | – | – | 2,225 | – | 2,225 |
| Exercise of share options | 46 | 4,799 | – | (1,031) | – | – | – | 3,814 | – | 3,814 |
| Forfeiture of share options | – | – | – | (183) | – | – | 183 | – | – | – |
| Consideration Shares issued for acquisition of Cfu Come *(Note b)* | 90 | 18,990 | – | – | – | – | – | 19,080 | 593 | 19,673 |
| At 31 December 2015 | 1,936 | 107,471 | 4,413 | 2,423 | (47,070) | 4,142 | 107,365 | 180,680 | (349) | 180,331 |

*Note a:* The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries in the People's Republic of China (the "**PRC**") in accordance with the relevant laws and regulations of the PRC. Appropriation to such reserve is made out of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries while the amount and allocation basis is decided by their respective boards of directors annually. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.

*Note b:* On 11 November 2015, the Company acquired 80.5% of the issued share capital of Cfu Come Limited ("**Cfu Come**"), which was satisfied in full by the allotment and issue of 9,000,000 shares of the Company ("**Consideration Shares**"). The fair value of the consideration determined using the published price available at the date of the acquisition amounted to HK$19,080,000. After the acquisition, Cfu Come became a non-wholly owned subsidiary of the Company.

*Note c:* The balance mainly represents a HK$53,519,000 debit reserve resulting from the Share Swap pursuant to the group reorganisation (details refer to note 29 to the consolidated financial statements in the annual report for the year ended 31 December 2013) and a HK$5,210,000 credit reserve resulting from recognition of equity-settled share-based payments to Mr. Wang Jun You ("**Mr. Wang**") (details refer to note d of the consolidated statement of changes in equity in the consolidated financial statements in the annual report for the year ended 31 December 2013).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2015*

## 1. GENERAL

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 were listed on the Growth Enterprise Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 December 2013. On 3 August 2015, the listing of the Company's shares has been transferred from the GEM to the Main Board of the Stock Exchange. 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 of the Company 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 also the functional currency of the Company.

## 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 2015, the Group has adopted all the amendments to HKFRSs which are effective for the financial year beginning 1 January 2015.

The application of the amendments to the HKFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**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:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[1] |
| Amendments to HKAS 1 | Disclosure Initiative[1] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[1] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle[1] |

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

**HKFRS 9** ***Financial Instruments***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Except for the potential early and additional recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost, the directors of the Company anticipate that the application of HKFRS 9 in the future may not have an impact on the amounts reported in respect of the Group's financial assets and liabilities based on an analysis of the Group's finance instruments as at 31 December 2015.

**HKFRS 15** ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company are still in the process of assessing the impact of HKFRS 15 on the amounts reported and disclosures made in the Group's consolidated financial statements at the moment. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except for the impact of HKFRS 9 and HKFRS 15, the directors of the Company anticipate the application of other new and revised HKFRSs will have no material impact on the Group's 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 Company) 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 Architecture (as defined in note 8) and the related tax effect ("**LWK Architecture 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.

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Segment and consolidated revenue | **354,799** | 384,384 |
| Segment result | **30,527** | 30,461 |
| Reconciliation | | |
| LWK Architecture Fair Value Adjustments | **(3,438)** | (2,170) |
| Consolidated profit for the year | **27,089** | 28,291 |

**Revenue from Major Services**

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

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Architecture | **313,901** | 347,062 |
| Landscape architecture, town planning, interior design and heritage conservation | **40,898** | 37,322 |
| | **354,799** | 384,384 |

**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** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| *Place of domicile of group entities:* | | | | |
| Hong Kong | **136,014** | 118,131 | **29,115** | 15,592 |
| PRC | **149,917** | 179,346 | **16,457** | 19,115 |
| Others | **–** | 756 | **895** | 970 |
| *Foreign location/countries* (Note): | | | | |
| PRC | **66,926** | 76,426 | **–** | – |
| Others | **1,942** | 9,725 | **–** | – |
| | **354,799** | 384,384 | **46,467** | 35,677 |

Note: The amounts represent revenue generated from a group entity where its geographical location of projects are different from its place of domicile.

**Information about Major Customers**

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **N/A**[1] | 42,089 |

[1] The corresponding revenue of customer A did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2015.

## 4. OTHER INCOME

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income on bank deposits | **607** | 302 |
| Sundry income | **71** | – |
| | **678** | 302 |

## 5. OTHER GAINS AND LOSSES

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| Loss on disposal of property, plant and equipment | **(39)** | (746) |
| Reversal (provision) of allowance for doubtful debts | **1,549** | (1,284) |
| Net foreign exchange loss | **(1,895)** | (437) |
| Gain from changes in fair value of held for trading investments | **103** | 182 |
| | **(282)** | (2,285) |

## 6. FINANCE COSTS

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| Interest expense on: | | |
| Bank overdraft and revolving loan | **46** | 17 |
| Obligations under finance leases | **53** | 76 |
| | **99** | 93 |

## 7. PROFIT BEFORE TAXATION

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| Profit before taxation has been arrived at after charging: | | |
| Auditor's remuneration (including remuneration for non-audit services) | **1,868** | 1,806 |
| Depreciation of property, plant and equipment | **6,898** | 5,710 |
| Amortisation of intangible assets (Note 1) | **310** | 315 |
| Operating lease payments (Note 2) | **23,048** | 19,774 |
| Staff costs | | |
| – Salaries, allowances and other benefits | **213,065** | 230,730 |
| – Operating lease payments | **784** | 768 |
| – Contributions to retirements benefit schemes | **7,359** | 7,757 |
| – Equity-settled share-based payments | **2,225** | 1,298 |
| Total staff costs (including director's emoluments) | **223,433** | 240,553 |

Notes:

(1) Included in cost of services.

(2) For the year ended 31 December 2015, the amount includes the operating lease payments for staff quarters amounting to HK$784,000 (2014: HK$768,000), which are included in the total staff costs above.

## 8. INCOME TAX EXPENSE

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| The income tax expense comprises: | | |
| Current tax: | | |
| Hong Kong Profits Tax | **4,657** | 948 |
| PRC Enterprise Income Tax ("EIT") | **5,032** | 8,347 |
| Macau Complementary Tax | **–** | 54 |
| Overprovision of Hong Kong Profits Tax in prior years | **(1,225)** | (11) |
| | **8,464** | 9,338 |
| Deferred tax: | | |
| Current year | **(633)** | (226) |
| | **7,831** | 9,112 |

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

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, a wholly owned subsidiary of the Company, and 梁黃顧建築設計(深圳)有限公司 (formerly known as 深圳市梁黃顧藝恒建築設計有限公司) ("**LWK Architecture**"), a non-wholly owned subsidiary of the Company, is 25% for both years.

According to the Law no. 15/2015 of Macau Special Administrative Region of the PRC, LWK Design (Macau) Limited is entitled to a tax exemption allowance of MOP600,000 (equivalent to HK$591,000) followed by tax rate of 12% (2014: MOP300,000 (equivalent to HK$295,500) followed by tax rate of 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:

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| Profit before taxation | **34,920** | 37,403 |
| Tax at 16.5% | **5,762** | 6,171 |
| Tax effect of expenses not deductible for tax purpose | **866** | 528 |
| Tax effect of income not taxable for tax purpose | **(80)** | (33) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **1,043** | 1,155 |
| Effect of different tax rates of profits generated in the PRC | **836** | 1,391 |
| Tax effect of tax losses not recognised | **261** | 291 |
| Utilisation of tax losses previously not recognised | **–** | (148) |
| Overprovision in prior years | **(1,225)** | (11) |
| Others | **368** | (232) |
| Income tax expense | **7,831** | 9,112 |

## 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:

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| **Earnings:** | | |
| Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company) | **27,666** | 28,798 |
| **Number of shares:** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **181,396,014** | 180,000,000 |
| Effect of dilutive potential ordinary shares in respect of share options outstanding | **6,492,423** | 1,080,457 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **187,888,437** | 181,080,457 |

The computation of diluted earnings per share for the year ended 31 December 2015 does not assume the exercise of the Company's share options granted in 2015 under the Share Option Scheme because the exercise price of those options was higher than the average market prices of shares for 2015.

## 10. DIVIDEND

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| Proposed final dividend in respect of the year ended 31 December 2015 of HK2.0 cents (2014: nil) per ordinary share | **3,872** | – |

The final dividend is not accounted for as a dividend payable in these consolidated financial statements until it has been approved at the forthcoming annual general meeting of the Company.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$2,000,000 (2014: HK$16,461,000) on the acquisition of property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK$39,000 (2014: HK$853,000).

## 12. GOODWILL

During the year, the Group acquired 80.5% of the issued share capital of Cfu Come which was satisfied in full by the allotment and issue of 9,000,000 shares of the Company. This acquisition has been accounted for using the purchase method and goodwill of HK$16,631,000 has been recognised accordingly.

## 13. HELD FOR TRADING INVESTMENTS

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| Unlisted trading fund in the PRC | **757** | 688 |

## 14. 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 the reporting period, and net of allowance recognised:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **27,577** | 34,441 |
| Over 30 days and within 90 days | **27,386** | 35,206 |
| Over 90 days and within 180 days | **6,671** | 7,446 |
| Over 180 days | **43,889** | 28,908 |
| | **105,523** | 106,001 |

As at 31 December 2015, included in the Group's progress billings receivable balance are debtors with aggregate carrying amount of approximately HK$55,435,000 (2014: HK$58,897,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts.

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

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Past due within 30 days | **6,331** | 14,584 |
| Past due over 30 days and within 90 days | **18,598** | 19,473 |
| Past due over 90 days and within 180 days | **4,720** | 6,814 |
| Past due over 180 days | **25,786** | 18,026 |
| | **55,435** | 58,897 |

## 15. TRADE PAYABLES

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

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **1,950** | 4,091 |
| Over 30 days and within 90 days | **460** | 616 |
| Over 90 days | **1,157** | 760 |
| | **3,567** | 5,467 |

The 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 timeframe.

## 16. OBLIGATIONS UNDER FINANCE LEASES

The Group has leased certain of its office equipment under finance leases. The lease term is 5 years (2014: 5 years).

For the year ended 31 December 2015, interest rates underlying all obligations under finance leases are fixed at respective contract dates at 5.84% per annum (2014: 5.84% per annum).

| | **Minimum lease payments at** | | **Present value of minimum lease payments at** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Amounts payable under finance leases:** | | | | |
| Within one year | **399** | 399 | **370** | 346 |
| In more than one year but not more than two years | **313** | 399 | **306** | 370 |
| In more than two years but not more than five years | **–** | 313 | **–** | 306 |
| | **712** | 1,111 | **676** | 1,022 |
| Less: Future finance charges | **(36)** | (89) | **–** | – |
| Present value of lease obligations | **676** | 1,022 | **676** | 1,022 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | **(370)** | (346) |
| Amount due for settlement after 12 months | | | **306** | 676 |

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

| | **Number of shares** | **Share Capital** |
|---|---|---|
| | | *HK$'000* |
| Ordinary shares of HK$0.01 each | | |
| **Authorised** | | |
| At 1 January 2014, 31 December 2014 and 2015 | 1,000,000,000 | 10,000 |
| **Issued and paid up** | | |
| At 1 January 2014 and 31 December 2014 | 180,000,000 | 1,800 |
| Consideration Shares issued (Note) | 9,000,000 | 90 |
| Issue upon exercise of share options | 4,595,000 | 46 |
| At 31 December 2015 | 193,595,000 | 1,936 |

Note: On 11 November 2015, the Company issued and allotted 9,000,000 Consideration Shares to the vendors for the acquisition of 80.5% of issued share capital of Cfu Come.

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 years ended 31 December 2015 and 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year, the Group's revenue decreased by 7.7% when compared with that in 2014. It secured 115 new contracts (2014: 125) and the value of new contracts and supplementary contracts totalled approximately HK$313,400,000 in Hong Kong and the PRC. As at 31 December 2015, the Group had remaining contract sums of approximately HK$925,000,000. Architecture, contributing 88.5% of the revenue, continued to be the mainstream practice.

Besides architecture, the service of other sectors maintained its stable contribution to the revenue of the Group. Particularly, the interior design sector continued its expansion with a revenue surge noteworthy of 166% when compared with 2014.

In order to enlarge the market share of the interior design sector, on 11 November 2015, the Company completed the acquisition of 80.5% of the issued share capital of Cfu Come Limited ("**Cfu Come**") which has developed a mobile device application, platform that connects customers and handymen for all kinds of maintenance and repairing services in the highly fragmented demand-and-supply markets. It is visualised as an extension of the interior design sector of the Group. Interior design services include two components: design and implementation or project execution. While the present business concentrates on professional developers, Cfu Come is a vehicle to penetrate the household market. It focuses on execution and it starts with simple daily household maintenance, aiming at developing into more wholesome renovation works.

The Group maintained its market position as one of the leading comprehensive architectural service providers in Hong Kong and the PRC. The Group has been exploring possible strategies to further extend its comprehensive architectural services, as well as to identify and acquire suitable investment or business projects related to urbanisation.

### FINANCIAL OVERVIEW

#### Revenue

2015 was a challenging year for the Group due to the economic slowdown and the property market consolidation in the PRC. The Group enhanced its business model by embarking on strategic initiatives to explore new business opportunities and further diversified the business portfolios to minimise the impact. During the year, the Group's revenue was HK$354,799,000, when compared with that of HK$384,384,000 in 2014, representing a decrease of 7.7%.

#### Cost of services

Cost of services for the year ended 31 December 2015 amounted to HK$255,359,000, when compared with that of HK$269,832,000 in 2014, representing a decrease of 5.4%. The decrease was mainly driven by the savings from direct labour costs and overhead costs in 2015 as a result of better cost control strategies implemented by the Group in response to the slowdown of the economy and the property market consolidation in the PRC.

**Gross profit and gross profit margin**

The gross profit for the year ended 31 December 2015 amounted to HK$99,440,000, when compared with that of HK$114,552,000 in 2014, representing a decrease of 13.2%. Despite the long term cost control strategies implemented by the Group, the decrease in revenue in 2015 has brought a negative impact on the Group's gross profit in the short term.

The gross profit margin of the Group for the year ended 31 December 2015 was 28.0%, a slight decrease when compared with 29.8% in the previous year.

**Administrative expenses**

Administrative expenses for the year ended 31 December 2015 amounted to HK$63,032,000 (2014: HK$75,073,000), representing a decrease of 16.0%. The decrease in the current year was attributable to the decrease in staff costs and better cost control strategies more effectively implemented in the current year.

**Profit for the year**

The profit for the year ended 31 December 2015 was HK$27,089,000, as compared to HK$28,291,000 in the previous year, representing a decrease of 4.2%.

## LIQUIDITY AND FINANCIAL RESOURCES

| | **As at 31 December** | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Current assets | **316,197** | 303,878 |
| Current liabilities | **179,698** | 205,739 |
| Current ratio | **1.76** | 1.48 |

The current ratio of the Group at 31 December 2015 was 1.76 times as compared to that of 1.48 times at 31 December 2014. It was mainly resulted from an increase in the amounts due from customers for contract work and a decrease in amounts due to customers for contract work with the working progress of the projects during the year.

As at 31 December 2015, the Group had total bank balances and cash and pledged bank deposits of HK$60,662,000 (2014: HK$58,078,000). The unutilised bank overdraft facility is HK$17,940,000 (2014: HK$3,380,000) as at 31 December 2015.

As at 31 December 2015, the Group's gearing ratio (represented by obligations under finance leases divided by total equity) amounted to approximately 0.4% (2014: 0.8%).

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.

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

On 24 April 2015, an application was made by the Company to the Stock Exchange for the transfer of listing of all the Shares in issue from the GEM to the Main Board of the Stock Exchange. The approval-in-principle and the listing approval have been granted by the Stock Exchange on 24 July 2015 and on 31 July 2015 respectively for the Shares to be listed on the Main Board and de-listed from GEM, according to Rule 9A.09(6) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Main Board Listing Rules"). Accordingly, the Group commenced to comply with the Main Board Listing Rules starting from 3 August 2015.

## FUTURE DEVELOPMENT

In 2016, the Group will continue to be a one-stop architectural design solution provider with the systematic application of its multi-centre operation model by leveraging its accumulated experience in design and project execution with its diversified service portfolio, the Group will actively explore opportunities derived from urbanisation in Asia, which has remained steady in recent years.

The Directors envision the growth in housing construction volume and land supply in Hong Kong will remain sustainable in 2016. Business operations in Hong Kong are expected to make substantial contributions to the Group's revenue and this is backed by relatively stable economies prospects in the local market, complemented by the Group's diversified business portfolio.

The interior design sector enjoyed remarkable growth in 2015. The Group remains optimistic about the expansion of the interior design sector and anticipates growing revenue generation from this sector.

Given that the property market in the PRC has stepped into a consolidation period, the Group will initiate strategic moves to explore new business opportunities to strengthen its leading position in the current market. The Group will also capture development potential for the further expansion of its business reach by merger and acquisition.

In response to the rising momentum of urbanisation in the Asia Pacific region, the Group will continue to pursue excellence in design and efficiency in executions for traditional sectors. Furthermore, the Group plans to leverage its network and increase participation in selected overseas markets, with the aim of securing new clients and stimulating business growth.

## FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK2.0 cents per share for the year ended 31 December 2015 (2014: Nil), subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

## CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2015. 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 2015, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## SIGNIFICANT INVESTMENT

Save as discussed below, other than the acquisition of 80.5% of the issued share capital of Cfu Come, during the year ended 31 December 2015, the Group did not have any significant investment.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2015, the Group had no future plan for material investments and capital assets.

## MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2015, the Group had acquired 80.5% of the issued share capital of Cfu Come Limited, which was settled in full by way of allotment and issue of 9,000,000 shares of the Company. The acquisition was completed on 11 November 2015.

## PLEDGE OF ASSETS

As at 31 December 2015, the Group has pledged short-term bank deposits with an aggregate carrying amount of HK$2,546,000 (2014: HK$2,545,000) to banks to secure general banking facilities granted to the Group.

## CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2015 (2014: Nil).

## 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 approximately HK$26,485,000 (2014: HK$48,878,000) as at 31 December 2015.

As at 31 December 2015, the Group did not have any significant capital commitments (2014: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed around 550 (2014: 670) 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 Schemes in Hong Kong, employee pension schemes in the PRC, medical coverage, insurance, training and development programs and options that were granted under the pre-IPO Share Option Scheme and the Share Option Scheme, both of which were approved by the shareholders of the Company on 5 December 2013.

## COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus for the period from 8 December 2013, being the latest practicable date as defined in the Prospectus, to 31 December 2015 with the Group's actual business progress is set out below:

| Business objectives for period from 8 December 2013 to 31 December 2015 | Actual Business Progress up to 31 December 2015 |
|---|---|
| **1. To enhance the Group's information technology infrastructure** | |
| • invest resources, carry out the build-up, conduct the testing and monitor the performance of the design information management platform, cost management system, building information modelling ("**BIM**") system and three–dimensional ("**3D**") printing technology | • A professional team on BIM had been set up and continuing for further development<br>• Implementation of 3D photogrammetry and image processing technologies to develop new services and products for building construction sites and major infrastructure works, particularly in conservation and hospitality design services<br>• Conducting trials with users to fine tune new services based on 3D photogrammetry and image processing technologies<br>• Cost management system was in the progress of enhancing. Data collection for the project information management platform was also in progress and expected to be completed by the end of 2016 |

| Business objectives for period from 8 December 2013 to 31 December 2015 | Actual Business Progress up to 31 December 2015 |
|---|---|
| **2. To carry out marketing activities in the PRC** | |
| • organise design forums, seminars or conferences with academic institutions or professional bodies/associations in order to promote the Group's "Go Green" building design idea continuously | • A director of LWK & Partners (HK) Limited ("LWK Hong Kong"), being the Director of China Green Building (HK) Council was invited to join the 17th International Conference on Green and Energy-Efficient Building & New Technologies and Products Expo in March 2015 in Beijing<br><br>• LWK Hong Kong joined hands with China Merchants Group to organise the Green Building Design Contest in May 2015<br><br>• A director of the Company was invited to speak at a sub-forum of the 12th International Green Habitat Forum ("第十二屆中外綠色人居論壇分論壇"), an event organised by the United Nations Environment Program, China Merchants Group and Management Committee of China (Guangzhou) Pilot Free Trade Zone Qianhai & Shekou Area of Shenzhen<br><br>• A director of LWK Hong Kong was invited as a speaker at 2015 China Rail Transit Scheme and Design Summit hosted by Guangzhou Metro Corporation which was held at China Import and Export Fair Complex, Guangzhou |
| • carry out design exhibitions in first-tier cities in the PRC | • LWK Hong Kong was the design sponsor and venue architect of Heritage x Arts x Design (H.A.D.) Walk Project Wong Tai Sin x Kowloon City Exhibition in May 2015 |

| Business objectives for period from 8 December 2013 to 31 December 2015 | Actual Business Progress up to 31 December 2015 |
|---|---|
| | • A director of LWK Hong Kong led a guided tour at Tiara Shenzhen for professional delegation from Hong Kong Institute of Planners. The guided tour was part of the visit co-organised by China Academy of Urban Planning & Design Shenzhen was to showcase new planning and developments in Shenzhen Qianhai area and Longhua district |
| • provide sponsorships to architecture programmes at the university level in the PRC | • Donation for Studio Publication: Beyond Extrusion to the Department of Architecture in the University of Hong Kong |
| • directly carry out advertisement through various media platforms | • New Architecture, a professional quarterly publication by Huazhong University of Science and Technology covered an interview with a director of the Company, in its issue No. 163 |
| | • Details of marketing activities held in 2013 and 2014 have been disclosed in the Annual Reports for the years ended 31 December 2013 and 2014 |
| **3. To expand the Group's offices and teams** | |
| • set up offices for the operations of landscape architecture, town planning and interior design to cater for our potential growth of these three practice areas | • Hong Kong office was expanded for the operations of landscape architecture, town planning and interior design |
| • continue to expand and transform our current offices in first-tier cities in the PRC to regional offices | • Shenzhen, Shanghai and Guangzhou offices were expanded with more operation space and facilities in 2014 |
| • further develop our offices in second-tier cities in the PRC as back-up offices to provide design support to our Hong Kong headquarters and other regional offices | • While the Group speeded up its development in expansion of offices and teams in 2014, there was no further expansion in 2015 |

## USE OF PROCEEDS

During the year ended 31 December 2015, the net proceeds from the Placing had been applied as follows:

| | **Planned use of proceeds (adjusted with final placing price) as stated in the Prospectus during the period from 20 December 2013 (Listing Date) to 31 December 2015** | **Actual use of proceeds up to 31 December 2015** |
|---|---|---|
| | *HK$ million* | *HK$ million* |
| **To enhance our information technology infrastructure** | | |
| • Design Information | 1.9 | 0.6 |
| • Cost Control/Resources Management | 1.6 | 1.1 |
| • BIM/3D Printing | 1.3 | 3.4 |
| **To carry out marketing activities in the PRC** | 1.7 | 2.4 |
| **To expand our offices and teams** | 7.5 | 9.2 |
| | 14.0 | 16.7 |

*Notes:*

(a) The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market. Total net proceeds of HK$14.9 millions have been used as at 31 December 2015 and the excess was contributed by the internal resources of the Group.

(b) Actual use of proceeds on enhancement of our design information and cost control/resources management was lower than planned use of proceeds because the testing and implementation plan of the design information and cost management systems has been rescheduled to 2016 for enhancement and thorough data transfer. Also, internal programmer has been assigned to establish our database programs, hence, no outsource is required.

(c) Actual use of proceeds on expansion of our office and teams was higher than planned use of proceeds because the Group has speeded up its development by setting up and expanding several offices in the PRC in 2014. The amount in excess was financed by the Group's internal resources.

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

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 2015.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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 ended 31 December 2015.

## 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 Main Board 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 ended 31 December 2015, as required to be disclosed under Rule 8.10(2) of the Main Board Listing Rules.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in "Model Code for Securities Transactions by Directors of Listed Issuers" ("**Model Code**") in Appendix 10 of the Main Board Listing Rules and the required standard of dealings regarding securities transactions (the "**required standard of dealings**") set out in Rules 5.48 to 5.67 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**"). Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the required standard of dealings and the Model Code for the year ended 31 December 2015 and the Company was not aware of any non-compliance with the required standard of dealings, the Model Code and its code of conduct regarding securities transactions by Directors.

## CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Main Board Listing Rule and Appendix 15 of the GEM Listing Rules during the year ended 31 December 2015.

## 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 2015; and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## PUBLICATION OF 2015 ANNUAL RESULTS AND 2015 ANNUAL REPORT

The annual results announcement of the Company is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.cchengholdings.com). The annual report of the Company for the year ended 31 December 2015 and the notice of annual general meeting of the Company will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (www.hkex.com.hk) 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, 24 March 2016

*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.*