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 2017

BUSINESS HIGHLIGHTS

- Total new contracts and supplementary contracts secured during the year from comprehensive architectural services totaled HK$658,153,000, (2016: HK$332,181,000), representing a significant increase of 98.1%;

- Remaining contract sums for comprehensive architectural services totaled HK$1,131,777,000 (2016: HK$909,151,000), representing an increase of 24.5%; and

- In addition to the above, acquisition of ISBIM Limited brings in additional contract sums of approximately HK$43,740,000 to the Group as at 31 December 2017.

FINANCIAL HIGHLIGHTS

- Revenue of the Group was HK$455,768,000 (2016: HK$358,944,000), representing an increase of 27.0% from the previous year. With the Group's expanded professional teams, revenue of the Group in the second half of 2017 was HK$285,327,000 (second half of 2016: HK$193,860,000), representing an increase of 47.2% when compared with respective period;

- The profit for the year was HK$33,355,000, as compared with HK$20,266,000 in the previous year, representing an increase of 64.6% from the previous year;

- Bank balances and cash reached record high of HK$233,807,000 (2016: HK$83,104,000), sufficient funding for future expansion and merger & acquisition plans;

- Gearing ratio maintained at low level of 8.5% (2016: 0.2%);
- Basic earnings per share for the year based on weighted average number of ordinary shares of approximately 258,962,000 (2016: 194,095,000) in issue was HK12.9 cents (2016: HK10.7 cents);
- Diluted earnings per share for the year based on weighted average number of ordinary shares of approximately 262,416,000 (2016: 197,965,000) in issue was HK12.8 cents (2016: HK10.5 cents); and
- Proposed final dividend of HK4.0 cents per share (2016: HK3.0 cents per share) for the year.

OUTLOOK HIGHLIGHTS

- Gearing up and developing information technology. Integrating BIM technology into architecture and other related technological concepts for Smart City development;
- Strategic partnership with BMEDI to cultivate the huge potential amidst booming urbanization in Mainland China;
- Together with BMEDI to establish the Greater Bay Area Innovation Centre in Shenzhen which can enhance and intensify the effort to better position the Group for this regional market.

CHAIRMAN'S STATEMENT (EXTRACT)

- In April 2017, we successfully completed the issuance of new shares to Beijing Design Group Company Limited ("**BD Group**") a wholly-owned subsidiary of Beijing Municipal Engineering Design & Research Institute Co., Ltd. ("**BMEDI**"). Established in 1955, BMEDI is a wholly-owned subsidiary of Beijing Enterprises Group Company Limited;
- The BD Group is now our substantial shareholder and strategic investor. Its long-established connections and leading position in the PRC will become a huge advantage and asset enabling the Group to participate in potential government and related projects which previously we have not been able to gain access to. Together with our strategic partner BMEDI, we are establishing a Greater Bay Area Innovation Centre in Shenzhen to jointly explore projects with great potentials in this specific region;
- To broaden our scope of service and enhance our market position, we are pleased to report that we have successfully acquired a company in the technological-field, ISBIM Limited, at the end of the year;
- For the coming year, the Group will endeavour to further seek out opportunities in technologies and to expand its capacity in serving Smart City initiatives in both Hong Kong and the PRC.

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 2017, 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 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Revenue	*3*	**455,768**	358,944
Cost of services		**(338,657)**	(257,418)
Gross profit		**117,111**	101,526
Other income	*4*	**2,267**	298
Other gains and losses	*5*	**1,789**	(6,044)
Administrative expenses		**(78,755)**	(69,426)
Finance costs	*6*	**(629)**	(32)
Profit before tax	*7*	**41,783**	26,322
Income tax expense	*8*	**(8,428)**	(6,056)
Profit for the year		**33,355**	20,266
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**3,115**	(6,082)
Fair value loss on available-for-sale investments		**(1,042)**	–
Reclassification adjustment upon disposal of a subsidiary		**–**	(497)
Other comprehensive income (expense) for the year		**2,073**	(6,579)
Total comprehensive income for the year		**35,428**	13,687
Profit (loss) for the year attributable to:			
Owners of the Company		**33,491**	20,745
Non-controlling interests		**(136)**	(479)
		33,355	20,266
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**35,492**	14,196
Non-controlling interests		**(64)**	(509)
		35,428	13,687
Earnings per share	*9*		
Basic (HK cents)		**12.9**	10.7
Diluted (HK cents)		**12.8**	10.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**20,690**	11,661
Goodwill		**31,688**	20,897
Intangible assets		**5,748**	1,336
Available-for-sale investments		**66,618**	–
Rental and utility deposits		**8,088**	5,393
Deferred tax assets		**–**	1,496
		132,832	40,783
Current assets			
Amounts due from customers for contract work		**139,965**	143,001
Progress billings receivable from contract customers	*11*	**100,254**	100,815
Deposits, prepayments and other receivables		**5,492**	5,428
Other current assets		**2,800**	–
Income tax recoverable		**2,541**	–
Bank balances and cash		**233,807**	83,104
		484,859	332,348
Current liabilities			
Trade payables	*12*	**4,714**	3,481
Accruals and other payables		**86,413**	72,072
Amounts due to customers for contract work		**64,239**	89,394
Contingent consideration payable		**6,800**	–
Obligations under finance leases		**–**	306
Income tax payable		**2,167**	6,811
Unsecured bank borrowings		**35,350**	–
		199,683	172,064
Net current assets		**285,176**	160,284
Total assets less current liabilities		**418,008**	201,067
Non-current liability			
Deferred tax liabilities		**3,816**	2,081
Net assets		**414,192**	198,986
Capital and reserves			
Issued capital		**2,883**	1,962
Reserves		**394,531**	197,304
Equity attributable to owners of the Company		**397,414**	199,266
Non-controlling interests		**16,778**	(280)
Total equity		**414,192**	198,986

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Issued capital *HK$'000*	**Share premium** *HK$'000*	**PRC Statutory reserve** *HK$'000* *(Note a)*	**Share option reserve** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Other reserve** *HK$'000* *(Note b)*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$000*
At 1 January 2016	1,936	107,471	4,413	2,423	–	(47,070)	4,142	107,365	180,680	(349)	180,331
Profit (loss) for the year	–	–	–	–	–	–	–	20,745	20,745	(479)	20,266
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(6,052)	–	(6,052)	(30)	(6,082)
Reclassification adjustment upon disposal of a subsidiary	–	–	–	–	–	–	(497)	–	(497)	–	(497)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(6,549)	20,745	14,196	(509)	13,687
Transfer upon disposal of a subsidiary	–	–	(2,165)	–	–	–	–	2,165	–	–	–
Recognition of equity-settled share-based payments	–	–	–	4,055	–	–	–	–	4,055	383	4,438
Exercise of share options	26	4,753	–	(562)	–	–	–	–	4,217	–	4,217
Forfeiture of share options	–	–	–	(59)	–	–	–	59	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	195	195
Dividends recognised as distribution	–	–	–	–	–	–	–	(3,882)	(3,882)	–	(3,882)
At 31 December 2016	1,962	112,224	2,248	5,857	–	(47,070)	(2,407)	126,452	199,266	(280)	198,986
Profit (loss) for the year	–	–	–	–	–	–	–	33,491	33,491	(136)	33,355
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	3,043	–	3,043	72	3,115
Fair value loss on available-for-sale investments	–	–	–	–	(1,042)	–	–	–	(1,042)	–	(1,042)
Total comprehensive (expense) income for the year	–	–	–	–	(1,042)	–	3,043	33,491	35,492	(64)	35,428
Transfer to statutory reserve	–	–	2,833	–	–	–	–	(2,833)	–	–	–
Non-controlling interests arising on acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	17,607	17,607
Issue of new shares	795	144,977	–	–	–	–	–	–	145,772	–	145,772
Acquisition of additional interests in subsidiaries	–	–	684	–	–	681	(450)	–	915	(915)	–
Recognition of equity-settled share-based payments	–	–	–	2,833	–	–	–	–	2,833	–	2,833
Exercise of share options	126	26,300	–	(4,959)	–	–	–	–	21,467	–	21,467
Lapse of share options	–	–	–	(418)	–	–	–	418	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	430	430
Dividends recognised as distribution	–	–	–	–	–	–	–	(8,331)	(8,331)	–	(8,331)
At 31 December 2017	2,883	283,501	5,765	3,313	(1,042)	(46,389)	186	149,197	397,414	16,778	414,192

Notes:

(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 tax 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.

(b) The balance mainly represents a HK$53,519,000 debit reserve resulting from the share swap pursuant to the group reorganisation (details set out in 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 a direction of the Company, Mr. Wang Jun You ("**Mr. Wang**") (details set out in 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 2017

1. GENERAL

C Cheng Holdings Limited (the "**Company**") is an exempted company incorporated in the Cayman Islands with limited liability on 13 May 2013 and its shares are listed on The Stock Exchange of Hong Kong Limited (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 Company is an investment holding company and its subsidiaries are mainly engaged in the provision of comprehensive architectural services.

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")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions 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[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the contract revenue from comprehensive architectural services and building information modelling ("**BIM**") services recognised during the year.

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

Comprehensive architectural services	–	provision of architecture, landscape architecture, town planning, interior design and heritage conservation services
BIM services	–	provision of BIM consultancy services, BIM professional training services and BIM software developing

During the year ended 31 December 2017, the Group acquired new business of BIM services. The management of the Group has reassessed the Group's operations and measurement of financial performance assessment and identified the comprehensive architectural services business and BIM services business as two separate operating and reportable segments of the Group. Accordingly, the comparative information for the year ended 31 December 2016 has been re-presented to conform with the current year's presentation.

Segment Revenue and Results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2017

	Comprehensive architectural services *HK$'000*	**BIM services** *HK$'000*	**Total** *HK$'000*
Segment revenue			
Architecture services	**385,092**	**–**	**385,092**
Landscape architecture, town planning, interior design and heritage conservation services	**67,740**	**–**	**67,740**
BIM services	**–**	**2,936**	**2,936**
External revenue	**452,832**	**2,936**	**455,768**
Segment results			
Reportable segment results	**49,234**	**1,223**	**50,457**
Reconcilation			
Unallocated other income			**1,969**
Other unallocated corporate expenses			**(10,643)**
Consolidated profit before tax			**41,783**

For the year ended 31 December 2016

	Comprehensive architectural services *HK$'000*	BIM services *HK$'000*	Total *HK$'000*
Segment revenue			
Architecture services	310,245	–	310,245
Landscape architecture, town planning, interior design and heritage conservation services	48,699	–	48,699
External revenue	358,944	–	358,944
Segment results			
Reportable segment results	29,273	–	29,273
Reconcilation			
Unallocated other income			193
Other unallocated corporate expenses			(3,144)
Consolidated profit before tax			26,322

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit from each segment without allocation of other income and corporate expenses incurred by the Company. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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 and available-for-sale investments.

	Revenue from external customers		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Place of domicile of group entities:				
Hong Kong	**159,482**	149,207	**52,853**	26,730
The PRC	**201,057**	143,920	**12,404**	11,483
Others	**10,453**	1,277	**957**	1,074
Foreign locations/countries (note):				
The PRC	**84,170**	62,346	**–**	–
Others	**606**	2,194	**–**	–
	455,768	358,944	**66,214**	39,287

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

Information About Major Customers

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

	2017	2016
	HK$'000	*HK$'000*
Customer A	**49,272**	37,041

4. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income from available-for-sale investments	**1,395**	–
Interest income on bank deposits	**855**	298
Others	**17**	–
	2,267	298

5. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Loss on disposal of a subsidiary	**–**	(867)
Loss on disposal/written off of property, plant and equipment	**(997)**	(145)
Reversal (provision) of allowance for doubtful debts	**407**	(2,502)
Written off of bad debts	**(307)**	(449)
Net foreign exchange gain (loss)	**2,686**	(1,960)
Fair value loss on held-for-trading investments	**–**	(121)
	1,789	(6,044)

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expense on:		
Bank overdraft and borrowings	**622**	3
Obligations under finance leases	**7**	29
	629	32

7. PROFIT BEFORE TAX

	2017	2016
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Auditor's remuneration (including remuneration for non-audit services)	**1,510**	1,378
Depreciation of property, plant and equipment	**6,622**	7,408
Amortisation of intangible assets *(Note 1)*	**331**	293
Operating lease payments *(Note 2)*	**31,018**	24,588
Staff costs		
– Salaries, allowances and other benefits	**278,732**	215,629
– Operating lease payments	**901**	816
– Contributions to retirement benefit schemes	**8,758**	6,741
– Equity-settled share-based payments	**2,833**	4,438
Total staff costs (including director's emoluments)	**291,224**	227,624

Notes:

(1) Included in cost of services.

(2) For the year ended 31 December 2017, the amount includes the operating lease payments for staff quarters amounting to HK$901,000 (2016: HK$816,000), which are included in the total staff costs above.

8. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
The income tax expense (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	**929**	2,397
PRC Enterprise Income Tax ("**EIT**")	**6,563**	5,072
(Over)underprovision of Hong Kong Profits Tax in prior years	**(769)**	324
	6,723	7,793
Deferred tax:		
Current year	**1,705**	(1,120)
Attributable to change in tax rate	**–**	(617)
	1,705	(1,737)
	8,428	6,056

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

Under the law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

梁黃顧建築設計(深圳)有限公司 ("**LWK Architecture**"), a subsidiary of the Company, satisfied the requirements of relevant local tax bureau authorities as a qualified enterprise in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and accordingly, is entitled to have a preferential EIT rate of 15% for both years. LWK Architecture was a non-wholly owned subsidiary of the Company for the year ended 31 December 2016 and became a wholly owned subsidiary of the Company during the year ended 31 December 2017.

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

	2017	2016
	HK$'000	*HK$'000*
Profit before tax	**41,783**	26,322
Tax at the domestic income tax rate of 16.5% (2016: 16.5%) *(note)*	**6,894**	4,343
Tax effect of expenses not deductible for tax purpose	**1,810**	1,162
Tax effect of income not taxable for tax purpose	**(284)**	(104)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(408)**	(399)
Effect of different tax rates of profits generated in the PRC	**790**	757
Effect of change in applicable tax rate	**–**	(617)
Tax effect of tax losses not recognised	**358**	574
(Over)underprovision in prior years	**(769)**	324
Others	**37**	16
Income tax expense for the year	**8,428**	6,056

Note: The domestic tax rate (which is Hong Kong Profit Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

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:

	2017	2016
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**33,491**	20,745

	2017	2016
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**258,962,289**	194,094,915
Effect of dilutive potential ordinary shares in respect of share options outstanding	**3,453,393**	3,870,150
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**262,415,682**	197,965,065

The computation of diluted earnings per share for the year ended 31 December 2017 does not assume the exercise of the Company's share options granted in 2016 and 2017 under the Share Option Scheme because the exercise price of those options was higher than the average market prices of shares for the year ended 31 December 2017.

The computation of diluted earnings per share for the year ended 31 December 2016 did not assume the exercise of the Company's share options granted in 2015 and 2016 under the Share Option Scheme because the exercise price of those options was higher than the average market prices of shares for the year ended 31 December 2016.

10. DIVIDEND

	2017	2016
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2016 final dividend of HK3.0 cents (2016: 2015 final dividend of HK2.0 cents) per share	**8,331**	3,882

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK4.0 cents (2016: final dividend in respect of the year ended 31 December 2016 of HK3.0 cents) per ordinary share, in an aggregate amount of HK$11,530,000 (2016: HK$5,887,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting. The dividends paid during the year for the final dividend in respect of the year ended 31 December 2016 was adjusted to HK$8,331,000 upon the enlarged issued ordinary shares during the year.

11. 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 contracts. 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:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**26,999**	22,739
Over 30 days and within 90 days	**33,741**	18,613
Over 90 days and within 180 days	**16,644**	11,623
Over 180 days	**22,870**	47,840
	100,254	100,815

As at 31 December 2017, included in the Group's progress billings receivable balance are debtors with aggregate carrying amount of approximately HK$31,646,000 (2016: HK$69,286,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts.

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

	2017	2016
	HK$'000	*HK$'000*
Overdue		
Within 30 days	**5,436**	9,961
Over 30 days and within 90 days	**11,389**	9,638
Over 90 days and within 180 days	**4,296**	5,325
Over 180 days	**10,525**	44,362
	31,646	69,286

Included in progress billing receivable which are past due over 180 days with carrying amount of HK$10,525,000 (2016: HK$44,362,000), the Group has received HK$5,303,000 (2016: HK$29,667,000) from customers as security deposit for the contracts works over these progress billings receivable, which are included in accruals and other payables.

12. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**2,777**	2,217
Over 30 days and within 90 days	**129**	1,077
Over 90 days	**1,808**	187
	4,714	3,481

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2017 was a great chapter and milestone year for the Group. During the year, we have successfully introduced a new strategic investor, Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("**BMEDI**") as our substantial shareholder.

BMEDI is a wholly-owned subsidiary of Beijing Enterprises Group Company Limited, possessing grade A qualifications in engineering design. It is a technological innovative company which provides integrated services for the entire process of engineering construction project, and is a leader in the municipal construction design and research in the PRC. We believe together with BMEDI, the Company will be able to participate in developments and other top-grade infrastructure projects that we have not been able hitherto to bid for. Over the past few months since BMEDI became our substantial shareholder, the Group has been awarded contract sum of approximately HK$9,619,000 from BMEDI and its subsidiaries. Among these contracts, revenue of approximately HK$5,926,000 has been recognised during the year. We believe that there will be more opportunities to come with the advancing of the "Belt and Road Initiative" as well as the "Guangdong-Hong Kong-Macau Greater Bay Area" development plan.

Furthermore, investment from BMEDI has equipped the Group with sufficient resources to expand our own business. During the year, backed by the resources from BMEDI and our professional knowledge in the traditional architectural services, we further diversified our services and successfully penetrated into the market of different extensions of our business reach.

Commercial design sector becomes one of the focuses of our expansion plan, following our recent rapid growing interior design team. We have formed a new reputable and award-winning team to further strengthen the Company's in-house design capabilities. Combining with our established implementation abilities, the new team specialises in delivering one-stop services from design to implementation of large-scale mixed-use projects. Our commercial mixed use expertise adopts an integrated design approach to create a total designed experience for a wide spectrum of spatial environments, including retail, workplace, leisure, entertainment and hospitality. With their experience in large-scale iconic projects in major cities of the PRC, our commercial design team has formed a unique competitive edge in the market and it is devoted to elevating our design portfolio to a whole new level. During the year ended 31 December 2017, this new team has brought in contract sum of HK$77,900,000 to the Group and we foresee outstanding market potential in this area of services. We expect this new team will be further expanded in the future in order to capture larger market share in this sector.

In addition to the commercial design sector being deemed a horizontal extension of our income stream, we also expanded vertically to the market of Building Information Modelling ("**BIM**").

The BIM technology enables the Group to co-ordinate our design and construction process by providing systematic intelligent information and analysis during the entire project development. As such, the BIM technology will be capable of enhancing cost-effectiveness and creating add-value to the customers in every project phase. The process is environmentally friendly and it ultimately reduces the amount of abortive work and building wastage on sites. During the year, we are excited to set out in the BIM business by acquiring a leading BIM consultancy service company, ISBIM Limited ("**isBIM**"). isBIM facilitates the Group in technological capacities and upgrade our customers' experience on comprehensive architectural services, from concept design to project completion. We believe such capability will differentiate us from other competitors.

Our services being recognized by the public, we were honored a number of awards, including 4 awards from MIPIM, which is a global leader in organizing international property event, and the "Award of Excellence" in the 2017 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation. This conservation of historical buildings project is the first-ever from Hong Kong to garner this prestigious honour.

Comprehensive Architectural Services

The Group's comprehensive architectural services achieved a remarkable performance in 2017 and strengthen its market position as one of the leading comprehensive architectural service providers in Hong Kong and the PRC.

During the year, our comprehensive architectural business contributed revenue of HK$452,832,000, representing a year-on-year increase of 26.2%. We secured 229 new contracts and the value of the new contracts and supplementary contracts totalled approximately HK$658,153,000 in Hong Kong and the PRC, which is our record high when compared with HK$332,181,000 in 2016, or any other years in our history. As at 31 December 2017, the Group had remaining contract sums of approximately HK$1,131,777,000, a 24.5% surge compared with our remaining contracts sum of HK$909,151,000 last year.

As our main stream of practice, our traditional sector in architecture contributed approximately 85.0% of the revenue to our comprehensive architectural services. Commercial design has shown outstanding market potential with significant additional revenue of HK$42,422,000 reflected in 2017. We are optimistic of future revenue growth in this sector, considering the strong market demand and our significant contract sum on hand at year end.

Interior design sector maintained its remarkable growth curve. Riding on the strong momentum in recent years, our interior design team has sustained a 51.8% growth in revenue in this year. It has fulfilled rising market demands on urban renovation projects especially in offices and hospitality. Furthermore, the team has launched a new business line of artistic consultancy with an aim to strengthen its brand presence, which has already contributed revenue for the Group during the year.

BIM Services

On 29 November 2017, we completed the acquisition of isBIM in order to penetrate into the BIM market. isBIM services covered BIM software development, BIM consultancy services and BIM professional training services. The project nature of isBIM covers smart cities, government buildings, infrastructure and large-scale private property development. During the year, isBIM brought in one month of its revenue to the Group after the acquisition at the end of November, amounted to HK$2,936,000. Remaining contract sum of isBIM as at 31 December 2017 was approximately HK$43,740,000. We believe that together with the Group's experience and connections in our traditional architecture services, isBIM will be able to connect our existing architecture services and create extended value to our customers.

FINANCIAL OVERVIEW

Revenue

In 2017, the Group successfully enhanced its business model by exploration of new business opportunities and diversification of business portfolios. During the year, the Group's revenue was HK$455,768,000, compared with that of HK$358,944,000 in 2016, representing an increase of 27.0%.

Commercial design sector become our main revenue growth driver in the second half of 2017, contributing revenue of HK$42,422,000 during the year. With the Group's expanded professional teams, the Group recorded a significant growth in the second half of 2017. The Group's revenue in the second half year was HK$285,327,000, representing an increase of 47.2% when compared with revenue of HK$193,860,000 in the same period of last year. Interior design sector continued its rapid growth and recorded revenue of HK$40,742,000, surged by 51.8%, when compared with last year revenue of HK$26,848,000.

Cost of services

Due to the Group's expansion on the commercial design team and the enlarged order books in 2017, the Group expanded the workforce by recruiting a substantial number of new talents with the number of architects increased from about 480 in 2016 to almost 670 in 2017. Cost of services for the year ended 31 December 2017 amounted to HK$338,657,000, when compared with that of HK$257,418,000 in 2016, representing an increase of 31.6%. Over 70.0% of such increment during the year is contributed by the increase in direct staff costs in order to assemble related talents and pioneering design teams among different sectors, especially commercial design sector, interior design sector and the Group's architectural design sector in the PRC. Other overhead expenses, including rental expenses for the expansion of office premises in Hong Kong and the PRC, rose at the same time when our workforce increased.

Gross profit and gross profit margin

Gross profit for the year amounted to HK$117,111,000, increased by 15.4% when compared with last year. At the same time, gross profit margin of the Group dropped from 28.3% to 25.7%. The decrease in gross profit margin in this year was due to the aforementioned expansion of the commercial design sector, leading to a significant staff costs and overhead increment since the beginning of 2017, while revenue from this sector is yet to be reflected in the first half of 2017. Since our commercial design team was in full deployment in the second half year, we saw increase in our gross profit margin from 21.8% in the first half of the year to 28.0% in the second half of the year. However, our overall gross profit margin in whole year was affected.

Administrative expenses

Administrative expenses for the year ended 31 December 2017 amounted to HK$78,755,000, when compared with last year of HK$69,426,000, representing an increase of 13.4%. The increase was mainly attributable to the office expansion in current year such as the development of a business development team and a research team in order to further enhance our corporate culture and branding, etc.

Profit for the year

The profit for the year ended 31 December 2017 was HK$33,355,000, a remarkable increment of 64.6% when compared to last year.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current assets	**484,859**	332,348
Current liabilities	**199,683**	172,064
Current ratio	**2.43**	1.93

The current ratio of the Group at 31 December 2017 was 2.43 times as compared to that of 1.93 times at 31 December 2016. It was mainly resulted from monetisation of our projects work in progress and proceeds received from BMEDI for the share subscription during the year.

As at 31 December 2017, the Group had total bank balances and cash of HK$233,807,000 (2016: HK$83,104,000). The unutilised banks' facility is HK$34,650,000 (2016: HK$35,560,000) as at 31 December 2017. The Group is having sufficient funding for future expansion and merger & acquisition plans.

As at 31 December 2017, the Group's gearing ratio is 8.5% (represented by unsecured bank borrowings divided by total equity). With record high bank balances and extra banks facilities on hand, the Group's financial position is strong and healthy.

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

OUTLOOK

2017 was a year of substantial growth. Our revenue, our profit and new contracts secured have all reflected a record-breaking increase. Our pursuit to deliver quality designs has gained a myriad of significant awards not only in Hong Kong but also from international institutions.

As 2018 unfolds, our Group will be geared up integrating architecture with information technology development and BIM trends plus other related technologies concept for Smart City.

Our latest acquisition in isBIM is the very engine that integrates architectural design with information technology. We will be transcending from a previous growth model highly reliant on staff population to a data based consultancy practice. Our service scope will be enhanced and extended. We will use the Smart City concept for urban planning, architectural design and site management. This will position our group to gain ground in the tremendous market opportunities especially within the Greater Bay Area.

Our new branches in Beijing, Chongqing and Shenzhen are expected to extend our performance in an upward trajectory. Set up in 2017, Chongqing office focused on the fast-growing western region in mainland China, has recorded substantial increase in profit for the Group.

We are also in the process of establishing the Greater Bay Innovation Centre ("**Innovation Centre**") in Shenzhen together with BMEDI. This initiative will establish our position favorably for government policies that encourage applications of BIM. The Innovation Centre will be our research and development nuclei for BIM and other information technologies such as virtual reality (VR). We foresee that the technology advancement will significantly enhance our efficiency and leading position in the market.

Our strategic partnership with BMEDI will cultivate the huge potential amidst the booming urbanization in Mainland China. Specifically, transit-oriented development ("**TOD**") will be one of the preeminent infrastructures for China new towns. The Group is expected to record a new stream of TOD contracts in 2018, with joint efforts by BMEDI.

FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK4.0 cents per share for the year ended 31 December 2017 (2016: HK3.0 cents per share), subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "**AGM**").

Information regarding the date of the AGM, the record date for the entitlement to the final dividend, and attendance of the AGM and date of closure of share register will be announced in due course.

USE OF PROCEEDS

On 6 April 2017, the issue of new shares under specific mandate has been completed. The net proceeds (after deduction of all relevant costs and expenses) from the subscription of 79,473,780 new shares by BD Group (the "**Subscription**") were approximately HK$145.8 million.

During the year ended 31 December 2017, the net proceeds from the Subscription had been applied as follows:

	Planned use of net proceeds as stated in the circular dated 14 March 2017 (adjusted with final relevant costs and expenses) *HK$ million*	**Actual use of proceeds up to 31 December 2017** *HK$ million*
For potential merger and acquisition of targets in the similar business of the Company for vertical integration strategies	126.8	20.6
To expand the offices of the Group in order to maximise the benefits from the established and expanding client network	13.0	5.8
To enhance the Company's information technology infrastructure and working capital	6.0	4.0
	145.8	30.4

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2017. 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, United States dollars and Renminbi. As at 31 December 2017, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENT

During the year under review, the Company, through its direct wholly-owned subsidiary, subscribed 49% of enlarged issued share capital of isBIM, at HK$20,580,000.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2017, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2017, except for the subscription of 49% of enlarged issued share capital of isBIM, there was no other material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2017 (2016: Nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2017 (2016: 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$54,431,000 (2016: HK$47,361,000) as at 31 December 2017.

As at 31 December 2017, the Group is committed to make a further capital contribution to isBIM in the sum of not more than HK$13,720,000 on or before 30 September 2018, or within one month of the issuance of the Interim Accounts 2018 (as defined in the announcement of discloseable transaction relating to the subscription of 49% of the entire issued share capital of the target company dated 22 November 2017) (whichever is later) (2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, including isBIM, the Group employed around 900 (2016: around 585) 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 Share Option Scheme approved by the shareholders of the Company on 5 December 2013.

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 2017.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

No transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time was a Director or his connected entity had, directly or indirectly, a material interest subsisted at any time during the year or at the end of 2017.

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 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 2017, as required to be disclosed under Rule 8.10(2) of the 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 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 2017 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 Listing Rules during the year ended 31 December 2017.

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, the corporate governance procedure and practices and the above audited annual results of the Group for the year ended 31 December 2017; 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 2017 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 audited 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 2017 ANNUAL RESULTS AND 2017 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 2017 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, 27 March 2018

As at the date of this announcement, the executive Directors are Mr. Liang Ronald, Mr. Liu Gui Sheng, Mr. Fu Chin Shing, Mr. Wang Jun You, Mr. Liu Yong and Mr. Ma Kwai Lam Lambert, and the independent non-executive Directors are Mr. Lo Wai Hung, Mr. Yu Chi Hang and Ms. Su Ling.