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C CHENG HOLDINGS LIMITED
思城控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1486)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

BUSINESS HIGHLIGHTS

– Total new and supplementary contracts secured during the year totaled HK$922,595,000 (2017: HK$658,153,000), representing an increase of 40.2%; and

– Remaining contract sums totaled HK$1,389,966,000 (2017: HK$1,175,517,000), representing an increase of 18.2%.

FINANCIAL HIGHLIGHTS

– Revenue of the Group was HK$671,598,000 (2017: HK$455,768,000), representing an increase of 47.4%;

– Profit for the period was HK$51,182,000 (2017: HK$33,355,000) representing an increase of 53.4%;

– Basic earnings per share based on weighted average number of ordinary shares of 288,261,000 (2017: 258,962,000) in issue was HK16.3 cents (2017: HK12.9 cents);

– Diluted earnings per share based on weighted average number of ordinary shares of approximately 289,691,000 (2017: 262,416,000) in issue was HK16.2 cents (2017: HK12.8 cents); and

– Proposed final dividend of HK2.0 cents per share for the year ended 31 December 2018, together with interim dividend of HK3.0 cents per share total dividend for the year was HK5.0 cents per share (2017: HK4.0 cents per share).

CHAIRMAN'S STATEMENT (EXTRACT)

- The expansion of the Group comes with the concept of "Total Solutions", a cross-disciplinary combination which has successfully attracted new clients in Hong Kong, mainland China and overseas;

- The Group has gained inroads and entry into mainland government projects particularly in transit-oriented development ("**TOD**") projects and urban studies of new and existing townships, due to the rapid enhancement of the relationship with the substantial shareholder and strategic investor, Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("**BMEDI**");

- LWK, the major subsidiary of the Group, has leapfrogged 55 odd places and became 36th in the global ranking of the World Architecture 100 since it got selected into the Award in 2017. LWK was ranked in 2nd place of the architectural design standing in mainland China in the Kinpan Award. LWK has garnered 11 design recognitions covering retail, office, landscape, interior design, and architecture design in PropertyGuru Asia Property Awards 2018;

- The Group has also established the Greater Bay Area Innovation Center in Shenzhen together with BMEDI, which is positioned to accommodate enormous demands of urban development and interconnectivities among Greater Bay Area cities;

- The Group has 8 offices positioned in the Greater Bay Area and supported by 5 branch offices in that region from BMEDI, the Group is well positioned to take advantage and create the next phase of growth and expansion.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of C Cheng Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, 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 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*3*	**671,598**	455,768
Cost of services		**(472,037)**	(338,657)
Gross profit		**199,561**	117,111
Other income	*4*	**5,248**	2,267
Other gains and losses	*5*	**(3,074)**	1,789
Loss on fair value changes of financial assets at fair value through profit or loss		**(2,846)**	–
Impairment losses, net of reversal	*6*	**(968)**	–
Administrative expenses		**(130,811)**	(78,755)
Finance costs	*7*	**(1,825)**	(629)
Profit before tax	*8*	**65,285**	41,783
Income tax expense	*9*	**(14,103)**	(8,428)
Profit for the year		**51,182**	33,355
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(6,939)**	3,115
Fair value loss on debt instrument at fair value through other comprehensive income		**(1,974)**	–
Fair value loss on available-for-sale investments		**–**	(1,042)
Other comprehensive (expense) income for the year		**(8,913)**	2,073
Total comprehensive income for the year		**42,269**	35,428
Profit (loss) for the year attributable to:			
Owners of the Company		**46,982**	33,491
Non-controlling interests		**4,200**	(136)
		51,182	33,355
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**38,137**	35,492
Non-controlling interests		**4,132**	(64)
		42,269	35,428
Earnings per share	*10*		
Basic (HK cents)		**16.3**	12.9
Diluted (HK cents)		**16.2**	12.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**23,129**	20,690
Goodwill		**31,450**	31,688
Intangible assets		**8,563**	5,748
Financial assets at fair value through profit or loss		**41,478**	–
Debt instrument at fair value through other comprehensive income		**20,456**	–
Available-for-sale investments		**–**	66,618
Rental and utility deposits		**10,983**	8,088
Deferred tax assets		**998**	–
		137,057	132,832
Current assets			
Contract assets		**121,123**	–
Amounts due from customers for contract work		**–**	139,965
Trade receivables	*12*	**215,185**	100,254
Deposits, prepayments and other receivables		**9,913**	5,492
Other current assets		**2,654**	2,800
Income tax recoverable		**–**	2,541
Bank balances and cash		**182,104**	233,807
		530,979	484,859
Current liabilities			
Trade payables	*13*	**4,551**	4,714
Accruals and other payables		**79,633**	86,413
Contract liabilities		**71,652**	–
Amounts due to customers for contract work		**–**	64,239
Contingent consideration payable		**–**	6,800
Income tax payable		**3,990**	2,167
Unsecured bank borrowings		**54,211**	35,350
		214,037	199,683
Net current assets		**316,942**	285,176
Total assets less current liabilities		**453,999**	418,008
Non-current liability			
Deferred tax liabilities		**3,262**	3,816
Net assets		**450,737**	414,192
Capital and reserves			
Issued capital		**2,883**	2,883
Reserves		**418,984**	394,531
Equity attributable to owners of the Company		**421,867**	397,414
Non-controlling interests		**28,870**	16,778
Total equity		**450,737**	414,192

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	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*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$000*
At 1 January 2017	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 *(Note 11)*	–	–	–	–	–	–	–	(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
Adjustments *(Note 2)*	–	–	–	–	496	–	–	(2,337)	(1,841)	(68)	(1,909)
At 1 January 2018 (restated)	2,883	283,501	5,765	3,313	(546)	(46,389)	186	146,860	395,573	16,710	412,283
Profit for the year	–	–	–	–	–	–	–	46,982	46,982	4,200	51,182
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(6,871)	–	(6,871)	(68)	(6,939)
Fair value loss on debt instrument at fair value through other comprehensive income	–	–	–	–	(1,974)	–	–	–	(1,974)	–	(1,974)
Total comprehensive (expense) income for the year	–	–	–	–	(1,974)	–	(6,871)	46,982	38,137	4,132	42,269
Transfer to statutory reserve	–	–	502	–	–	–	–	(502)	–	–	–
Further capital injection shared by non-controlling interests	–	–	–	–	–	–	–	–	–	6,997	6,997
Waiver of amount due to non-controlling interests	–	–	–	–	–	–	–	–	–	560	560
Recognition of equity-settled share-based payments	–	–	–	8,335	–	–	–	–	8,335	471	8,806
Lapse of share options	–	–	–	(515)	–	–	–	515	–	–	–
Dividends recognised as distribution *(Note 11)*	–	–	–	–	–	–	–	(20,178)	(20,178)	–	(20,178)
At 31 December 2018	2,883	283,501	6,267	11,133	(2,520)	(46,389)	(6,685)	173,677	421,867	28,870	450,737

Notes:

(a) The PRC statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries established 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 director 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 2018

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 and building information modelling ("**BIM**") 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- comprehensive architectural services
- BIM services

Information about the Group's performance obligations resulting from application of HKFRS 15 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2017**	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018***
		HK$'000	*HK$'000*	*HK$'000*
Current Assets				
Trade receivables	*(a)*	100,254	15,148	**115,402**
Contract assets	*(a)*	–	124,817	**124,817**
Amounts due from customers for contract work	*(a)*	139,965	(139,965)	**–**
Current Liabilities				
Contract liabilities	*(b)*	–	64,239	**64,239**
Amounts due to customers for contract work	*(b)*	64,239	(64,239)	**–**

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes: (a) At the date of initial application of HKFRS 15, included in the amounts due from customers for contract work amounting to HK$15,148,000 was related to unbilled receivables. It was reclassified to trade receivables upon application of HKFRS 15.

At the date of initial application of HKFRS 15, included in the amounts due from customers for contract work amounting to HK$124,817,000 was related to the retention receivables and Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. It was reclassified to contract assets upon application of HKFRS 15.

(b) At the date of initial application of HKFRS 15, amounts due to customers for contract work amounting to HK$64,239,000 was related to advance from customers. It was reclassified to contract liabilities upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Notes	**As reported** *HK$'000*	**Adjustments** *HK$'000*	**Amounts without application of HKFRS 15** *HK$'000*
Current Assets				
Trade receivables	*(a)*	215,185	(72,989)	142,196
Contract assets	*(a)*	121,123	(121,123)	–
Amounts due from customers for contract work	*(a)*	–	194,112	194,112
Current Liabilities				
Contract liabilities	*(b)*	71,652	(71,652)	–
Amounts due to customers for contract work	*(b)*	–	71,652	71,652

Notes:

(a) Prior to the application of HKFRS 15, unbilled receivables was classified as amounts due from customers for contract work. For illustrative purpose of the table above, unbilled receivables of HK$72,989,000 was reclassified from trade receivables to amounts due from customers for contract work.

Prior to the application of HKFRS 15, the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance was classified as amounts due from customers for contract work. For illustrative purpose of the table above, such right of HK$121,123,000 was reclassified from contract assets to amounts due from customers for contract work.

(b) Prior to the application of HKFRS 15, advance from customers was classified as amounts due to customers for contract work. For illustrative purpose of the table above, advance from customers of HK$71,652,000 was reclassified from contract liabilities to amounts due to customers for contract work.

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and contract assets, and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	**Available-for-sale investments**	**Financial assets at fair value through profit or loss ("FVTPL")**	**Debt instrument at fair value through other comprehensive income ("FVTOCI")**	**Trade receivables**	**Contract assets**	**Other items at amortised cost (previously classified as loans and receivables)**	**Investment revaluation reserves**	**Retained profits**	**Non-controlling interests**
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Closing balance at 31 December 2017 – HKAS 39		66,618	–	–	100,254	–	238,694	(1,042)	149,197	16,778
Effect arising from initial application of HKFRS 15		–	–	–	15,148	124,817	–	–	–	–
Reclassification from available-for-sale investments	*(a)*	(66,618)	44,232	22,386	–	–	–	496	(496)	–
Remeasurement – Impairment under ECL model	*(b)*	–	–	–	(966)	(943)	–	–	(1,841)	(68)
Opening balance at 1 January 2018		–	44,232	22,386	114,436	123,874	238,694	(546)	146,860	16,710

(a) *Available-for-sale ("**AFS**") investments*

From AFS to debt investments at FVTOCI

Listed bond with a fair value of HK$22,386,000 were reclassified from available-for-sale investments to debt instrument at FVTOCI, as this investment is held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value losses of HK$546,000 continued to accumulate in the investment revaluation reserve as at 1 January 2018.

From AFS to financial assets at FVTPL

Listed perpetual bonds with a fair value of HK$44,232,000 were reclassified from available-for-sale investments to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. Related fair value loss of HK$496,000 were transferred from the investment revaluation reserve to retained profits as at 1 January 2018.

(b) *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables are grouped based on internal credit rating. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including, bank balances and other receivables, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

The Group's debt instrument at FVTOCI is listed bond that is graded in the top credit rating among rating agencies. Therefore, the investment is considered to be low credit risk investments and the loss allowance is assessed on 12m ECL basis.

As at 1 January 2018, additional credit loss allowance of HK$1,841,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset as below. Non-controlling interests of HK$68,000 has been recognised with respect of such additional loss allowance.

All loss allowances as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Contract assets	**Trade receivables**
	HK$'000	*HK$'000*
At 31 December 2017– HKAS 39	–	2,433
Amounts remeasured through opening retained profits	943	966
At 1 January 2018	**943**	**3,399**

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a Business*[4]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[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 HKAS 1 and HKAS 8	*Definition of Material*[5]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all amendments to HKFRSs and interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$95,174,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$10,477,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. REVENUE AND SEGMENT INFORMATION

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

Performance obligations for contracts with customers

The Group provides comprehensive architectural services and BIM services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these services based on the stage of completion of the contract using input method.

The Group's architecture and BIM contracts include payment schedules which require stage payments over the services period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 5% to 10% of total contract sum, when the Group receives a deposit before services commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. 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. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables when the Group achieved the specific milestones in corresponding contracts.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the services. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Comprehensive architectural services	**BIM services**
	HK$'000	*HK$'000*
Within one year	596,897	23,450
More than one year but not more than two years	312,030	14,402
More than two years	378,802	13,790
	1,287,729	51,642

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.

Inter-segment revenue were charged at cost plus margin basis.

Segment revenue and results

The following is an analysis of the Group's revenue from contracts with customers and results by operating and reportable segment:

For the year ended 31 December 2018

	Comprehensive architectural services *HK$'000*	BIM services *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue					
Architecture services	**545,938**	**–**	**545,938**	**–**	**545,938**
Landscape architecture, town planning, interior design and heritage conservation services	**82,605**	**–**	**82,605**	**–**	**82,605**
BIM services	**–**	**43,055**	**43,055**	**–**	**43,055**
External revenue	**628,543**	**43,055**	**671,598**	**–**	**671,598**
Inter-segment revenue	**–**	**11,102**	**11,102**	**(11,102)**	**–**
Total revenue from contracts with customers and segment revenue	**628,543**	**54,157**	**682,700**	**(11,102)**	**671,598**
Segment results					
Reportable segment results	**60,224**	**13,492**	**73,716**	**–**	**73,716**
Reconciliation					
Unallocated other income					**4,717**
Other unallocated corporate expenses					**(10,302)**
Loss on fair value changes of financial assets at FVTPL					**(2,846)**
Consolidated profit before tax					**65,285**

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
Reconciliation			
Unallocated other income			1,969
Other unallocated corporate expenses			(10,643)
Consolidated profit before tax			41,783

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, fair value changes arising from acquisition of isBIM, loss on fair value changes of financial assets at FVTPL and corporate expenses incurred by the Company. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

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, debt instrument at FVTOCI, financial assets at FVTPL and available-for-sale investments.

	Revenue from external customers		**Non-current assets**	
	2018 *HK$'000*	2017 *HK$'000*	**2018** *HK$'000*	2017 *HK$'000*
Geographical markets				
Hong Kong	**166,750**	160,088	**56,907**	52,853
The PRC	**480,550**	285,227	**15,918**	12,404
Macau	**19,662**	10,453	**–**	–
Others	**4,636**	–	**1,300**	957
	671,598	455,768	**74,125**	66,214

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:

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**72,785**	49,272

(1) Revenue from comprehensive architectural services and BIM services.

4. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Interest income on debt instrument at FVTOCI	**1,042**	–
Interest income on financial assets at FVTPL	**2,524**	–
Interest income from available-for-sale investments	**–**	1,395
Interest income from bank deposits	**1,538**	855
Others	**144**	17
	5,248	2,267

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Loss on disposal/written off of property, plant and equipment	**(28)**	(997)
Reversal of allowance for doubtful debts	**–**	407
Written off of bad debts	**–**	(307)
Loss on fair value changes in contingent consideration payable	**(197)**	–
Net foreign exchange (loss) gain	**(2,698)**	2,686
Others	**(151)**	–
	(3,074)	1,789

6. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018	2017
	HK$'000	*HK$'000*
Impairment losses recognised (reversed) on:		
– Trade receivables	**1,636**	–
– Contract assets	**(668)**	–
	968	–

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expense on:		
Bank borrowings	**1,825**	622
Obligations under finance leases	**–**	7
	1,825	629

8. PROFIT BEFORE TAX

	2018	2017
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Auditor's remuneration (including remuneration for non-audit services)	**1,717**	1,510
Depreciation of property, plant and equipment	**8,126**	6,622
Amortisation of intangible assets (note 1)	**865**	331
Operating lease payments (note 2)	**38,483**	31,018
Staff costs		
– Salaries, allowances and other benefits	**412,700**	278,732
– Operating lease payments	**1,020**	901
– Contributions to retirement benefit schemes	**13,705**	8,758
– Equity-settled share-based payments	**8,806**	2,833
Total staff costs (including director's emoluments)	**436,231**	291,224

Notes:

(1) Included in cost of services.

(2) For the year ended 31 December 2018, the amount includes operating lease payments for staff quarters amounting to HK$1,020,000 (2017: HK$901,000), which are included in the total staff costs above.

9. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
The income tax expense (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	**3,729**	929
The PRC Enterprise Income Tax ("**EIT**")	**11,805**	6,563
Under(over) provision of Hong Kong Profits Tax in prior years	**121**	(769)
	15,655	6,723
Deferred tax:		
Current year	**(1,552)**	1,705
	14,103	8,428

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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 wholly owned 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 tax rate of 15% for both years.

Macau profits tax is calculated at rate of 12% after exemption allowance of MOP600,000 (equivalent to HK$582,180).

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:

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	**65,285**	41,783
Tax at the domestic income tax rate of 16.5% (2017: 16.5%) *(note)*	**10,772**	6,894
Tax effect of expenses not deductible for tax purpose	**3,103**	1,810
Tax effect of income not taxable for tax purpose	**(5)**	(284)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(896)**	(408)
Effect of different tax rates of profits generated in the PRC	**800**	790
Income tax at concessionary rate	**(165)**	–
Tax effect of tax losses not recognised	**401**	358
Under(over) provision in prior years	**121**	(769)
Others	**(28)**	37
Income tax expense for the year	**14,103**	8,428

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

10. 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:

	2018	2017
	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)	**46,982**	33,491
Number of shares:	**2018**	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	**288,260,780**	258,962,289
Effect of dilutive potential ordinary shares in respect of share options outstanding	**1,430,085**	3,453,393
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**289,690,865**	262,415,682

The computation of diluted earnings per share for the year ended 31 December 2018 does not assume the exercise of certain share options of the Company because the exercise price of those options was higher than the average market prices of shares for the year ended 31 December 2018.

The computation of diluted earnings per share for the year ended 31 December 2017 does not assume the exercise of certain share options of the Company because the exercise price of those options was higher than the average market prices of shares for the year ended 31 December 2017.

11. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 interim dividend of HK3.0 cents (2017: 2017 interim dividend of nil) per share	**8,648**	–
2017 final dividend of HK4.0 cents (2017: 2016 final dividend of HK3.0 cents) per share	**11,530**	8,331
	20,178	8,331

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK2.0 cents (2017: final dividend in respect of the year ended 31 December 2017 of HK4.0 cents) per share, in an aggregate amount of HK$5,765,000 (2017: HK$11,530,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**219,711**	102,687
Less: Allowance for credit losses/doubtful debts	**(4,526)**	(2,433)
	215,185	100,254

As at 31 December 2018, total bill receivables amounting to HK$4,387,000 are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills receivables held by the Group are with a maturity period of less than one year.

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$215,185,000 and HK$114,436,000 respectively.

As at 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables of HK$2,433,000 which have been long outstanding. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables, presented based on the invoice date at the end of the reporting period, and net of allowance for credit losses/doubtful debts recognised:

	2018	2017
	HK$'000	*HK$'000*
Unbilled receivables *(note)*	**72,989**	–
Within 30 days	**49,160**	26,999
Over 30 days and within 90 days	**47,855**	33,741
Over 90 days and within 180 days	**22,435**	16,644
Over 180 days	**22,746**	22,870
	215,185	100,254

Note: Amounts represent the Group's unconditional right to consideration which invoices have not been issued.

As at 31 December 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$31,646,000 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 trade receivables as at 31 December 2017 which are past due but not impaired:

	2017
	HK$'000
Overdue	
Within 30 days	5,436
Over 30 days and within 90 days	11,389
Over 90 days and within 180 days	4,296
Over 180 days	10,525
	31,646

13. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**3,382**	2,777
Over 30 days and within 90 days	**87**	129
Over 90 days	**1,082**	1,808
	4,551	4,714

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

Since April 2017, Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("**BMEDI**") became the substantial shareholder and strategic investor of the Group.

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 People's Republic of China (the "**PRC**"). 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. There will be more opportunities of the Group to come with the advancing of the "Belt and Road Initiative" as well as the "Guangdong-Hong Kong-Macau Greater Bay Area" development plan.

Greater Bay Area Innovation Centre

The establishment of the Greater Bay Area Innovation Centre ("**GBA Inno Centre**") with BMEDI in November 2018 has been another milestone of our strategic co-operation with BMEDI aiming at the expansion of the comprehensive high-quality services and stronger international presence and influence of the Group.

The GBA Inno Centre is a research and development platform that gathers multi-disciplinary capabilities from the Group on architectural design, urban planning and building information modelling ("**BIM**"), along with engineering design expertise and experience from BMEDI in large-scale public infrastructures.

It is a forward-looking response to the national strategy in the Greater Bay Area Development. We are to spearhead data-based innovations for smart cities, offering urbanisation blueprints and solutions for a world-class city cluster across the region. This is also a magnet that welcomes forward-looking industry talents and scholars, to join hands with us to position the Greater Bay Area as a key link connecting of the PRC cities as well as the Belt and Road countries.

Since its establishment, the GBA Inno Centre has hosted a number of industry events that gathered great minds to meet, brainstorm and innovate, on the applications of BIM and data platform to streamline process of overall project management. The GBA Inno Centre will be the focal point of the Group to pioneer its cost-effective data-based solutions for our clients, and within the industry, to accelerate development of smart cities across the region.

Building Information Modelling

In 2018, *Adoption of BIM for Capital Works Projects in Hong Kong* was announced by the Development Bureau of the Government of Hong Kong Special Administrative Region. In PRC, BIM was also promoted and more common in these few years. 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. We will also be able to apply effective time and cost control to the overall concept. The process is environmentally friendly and it ultimately reduces the amount of abortive work and building wastage on sites. Since the acquisition of a Hong Kong leading BIM consultancy service company, isBIM Limited ("**isBIM**") on November 2017, isBIM enhances the Group in technological capacities and upgrades customers' experience on comprehensive architectural services, from concept design to project completion, which can differentiate the Group from other competitors.

Year of Expansion

2018 continues to be another year of expansion of the Group. Not only has the Group extended its business penetration to Beijing, to cover northern regions near Beijing-Tianjin-Hebei of the PRC, but it has also established new office in Dubai this year. The Group has embarked on a new journey of development by heading global and international.

To fulfill the constant pursuit in providing multi-disciplinary "Total Solutions" to the ever changing market, the Group has gathered top-notch professionals in our traditional architectural design sector and set up new segments to cater for all-rounded services to the clients.

Industry Recognition

In 2018, the Group continued to evolve into a more integrated and providing 360° services to the clients. The services of the Group have been recognised by the public and in the industry. LWK, the major subsidiary of the Group, placed a proud 36th world-wide in 2018 in *The World Architecture 100 2019* which was released near the end of 2018. By region, it was placed the 10th in the Pacific Rim and by sector, it was placed the 8th in the Residential Sector world-wide.

In the *PropertyGuru Asia Property Awards*, six of the projects won a total of 11 awards across five different sectors, including retail, office, landscape, interior design, and condo architectural design. LWK was also named, for the seventh time, one of the Top 10 Architects in the *BCI Asia Awards*. And, in the PRC, there was a total of 23 of the projects won different titles in 2018's *Kinpan Awards*, and hence LWK has a 2nd place of the award's annual overall ranking.

From local architecture awards to international design awards, the reputation is breaking through physical geographic boundaries and metaphorical typic boundaries to reach a much wider audience in the industry.

Comprehensive Architectural Services

The Group's comprehensive architectural services continued its growth momentum in 2018. We have strengthened our 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 HK$628,543,000 in revenue, representing an increase of 38.8% when compared with HK$452,832,000 in 2017. The value of new and supplementary contracts of comprehensive architectural services totaled approximately HK$874,815,000 in 2018, as compared with HK$658,153,000 in 2017, representing an increase of 32.9%. As at 31 December 2018, the Group had remaining contract sums of approximately HK$1,338,323,000 from comprehensive architectural services, a 18.2% increase when compared with HK$1,131,777,000 in 2017.

As our main stream of practice, our traditional sector in architecture contributed approximately 86.9% of the revenue to our comprehensive architectural services. Riding on the strong momentum in recent years, our interior design team continued its growth curve and sustained a 28.1% growth in revenue in 2018. It has fulfilled rising market demands on urban renovation projects especially in offices and hospitality.

BIM Services

On 29 November 2017, the Group completed the acquisition of isBIM in order to extend the service scope to the BIM market. isBIM services cover BIM software development, BIM consultancy services and BIM professional training services, etc. The project nature of isBIM covers smart cities, government buildings, infrastructure and large-scale private property development. During the year of 2018, isBIM brought in full year revenue to the Group amounted to HK$43,055,000. The value of the new and supplementary contracts of isBIM totaled approximately HK$47,780,000 in 2018. Remaining contract sum as at 31 December 2018 was approximately HK$51,643,000. Together with the Group's experience and connections in our traditional architecture services, isBIM will be able to connect the existing architecture services of the Group and create extended value to the customers.

FINANCIAL OVERVIEW

Revenue

The Group successfully enhanced its business model by exploration of new business opportunities and diversification of business portfolios. A cross-disciplinary combination of our services brought in a record high value of new and supplementary contracts. During the year, the Group's revenue continued to surge rapidly to HK$671,598,000, compared with that of HK$455,768,000 in 2017, representing an increase of 47.4%.

Cost of services

Cost of services for the year of 2018 amounted to HK$472,037,000, when compared with that of HK$338,657,000 in 2017, representing an increase of 39.4%. Over 86% of such increment during the year is contributed by the increase in direct staff costs due to the Group's expansion on the professional since 2017 and early 2018.

Gross profit and gross profit margin

Gross profit for the year of 2018 amounted to HK$199,561,000, increased by 70.4% when compared with 2017. At the same time, gross profit margin of the Group increased from 25.7% to 29.7%. In 2017, the expansion of the professional team led to a significant staff costs and overhead increment, while revenue is yet to be reflected in the same year. Since the professional team was in full deployment in 2018, the gross profit margin restores to normal.

Administrative expenses

Administrative expenses for the year of 2018 was amounted to HK$130,811,000, when compared with 2017 of HK$78,755,000, representing an increase of 66.1%. The increase was mainly attributable to the increase in expenses since our office expansion in the second half of 2017 such as the development of a business development team and a research team in order to further enhance the corporate culture and branding. In order to develop and promote the comprehensive architecture brand "LWK+" globally, there were more expenses for the re-branding and marketing activities during 2018. Moreover, other general expenses also increased due to addition in headcount in 2018.

Profit for the year

The profit for the year of 2018 was HK$51,182,000, a remarkable increment of 53.4% when compared to profit of HK$33,355,000 in 2017.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Current assets	**530,979**	484,859
Current liabilities	**214,037**	199,683
Current ratio	**2.48**	2.43

The current ratio of the Group at 31 December 2018 was 2.48 times as compared to that of 2.43 times at 31 December 2017. It was mainly resulted from the increase in trade receivable during the year.

As at 31 December 2018, the Group had total bank balances and cash of HK$182,104,000 (2017: HK$233,807,000). The unutilised banks' facility is HK$21,000,000 (2017: HK$34,650,000) as at 31 December 2018. The Group is having sufficient funding for future expansion and merger and acquisition plans.

As at 31 December 2018, the Group's gearing ratio is 12% (represented by unsecured bank borrowings divided by total equity).

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

Over the past two years, the Group has accelerated its growth, benefiting from the strategic partnership with BMEDI. We have formed an encompassing industry chain that integrates multi-disciplinary design consultancy services.

Our progress includes establishing new offices, building new teams such as medical architecture, mixed use commercial, and smart city planning. The Group has been strengthening its business operations and industry influence in the region, as well as diversifying its business portfolio, offering more effective services to clients. Furthermore, the acquisition of isBIM is conducive to enhance the Group's ability on design consultation and management efficiency. We have developed new revenue streams by pioneering applications of big data.

In the coming two years, the Group will focus on leveraging the competitive edge shaped by the newly developed service chain, in order to achieve excellence in business performance. We will focus on exerting our capabilities in comprehensive master planning, in order to provide clients with total solutions on complex technical problems in the early stage of project development, such as large-scale Transit-Oriented Development (TOD) projects. Early involvement driven by comprehensive master planning would increase the chance of obtaining various subsequent professional contracts on architecture design, information management, landscape design, interior design, and soft furnishings, etc..

The integrated services and data-based management of the Group are geared towards the favorable opportunities in the Greater Bay Area ("**GBA**"). The Group anticipates rich opportunities on construction and technology-led projects in GBA, has and we have formed our competitive advantage in terms of technology, scale, and operation model. By integration of cross-disciplinary cooperation and application of big data platform, the Group will proactively create market demand and thereby effectively improve our bid-hit ratio. Such operation model will be applied for our penetration into the Middle East market. With world-wide recognition on the technology and urbanisation experience developed by Mainland China, the Group is optimistic in forming new segments that stimulate further business growth.

Last but not least, as Mainland China is becoming more ambitious in promoting BIM technologies, Modular Integrated Construction (MiC), Design for Manufacturing and Assembly (DfMA), and Internet of Things (IoT) for its urbanisation plans, the Group expects that BIM services and related business on construction data will generate satisfactory growth and income for the Group.

DIVIDEND

The board has resolved to recommend a final dividend of HK2.0 cents per share for the year ended 31 December 2018 (2017: HK4.0 cents per share), subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "**AGM**"). Together with the interim dividend of HK3.0 cents per share which were paid to the shareholders of the Company during the year, the total dividend for the year amounts to a total of HK5.0 cents per share.

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 Beijing Design Group Company Limited, a Wholly Owned Subsidiary of BMEDI (the "**Subscription**") were approximately HK$145.8 million.

During the year ended 31 December 2018, 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)	**Actual use of proceeds up to 31 December 2018**
	HK$ million	*HK$ million*
For potential merger and acquisition of targets in the similar business of the Company for vertical integration strategies	126.8	34.3
To expand the offices of the Group in order to maximise the benefits from the established and expanding client network	13.0	13.0
To enhance the Company's information technology infrastructure and working capital	6.0	6.0
	145.8	53.3

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2018. 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 2018, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENT

During the year ended 31 December 2018, the Company, through its direct wholly-owned subsidiary, further contributed HK$13,720,000 to isBIM.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, during the year ended 31 December 2018, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2018, 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 2018 (2017: Nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2018 (2017: 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$95,174,000 (2017: HK$54,431,000) as at 31 December 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, including isBIM, the Group employed over 1,000 (2017: around 900) 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 2018.

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 2018.

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 2018, 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 2018 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 2018.

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 2018; 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 2018 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 2018 ANNUAL RESULTS AND 2018 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 2018 and the notice of the AGM 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, 28 March 2019

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.