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 2019

BUSINESS HIGHLIGHTS

– Total new and supplementary contracts secured during the year totaled HK$841,851,000 (2018: HK$922,595,000), representing a decrease of 8.8%; and

– Remaining contract sums totaled HK$1,484,424,000 (2018: HK$1,389,966,000), representing an increase of 6.8%.

FINANCIAL HIGHLIGHTS

– Revenue of the Group was HK$685,091,000 (2018: HK$671,598,000), representing an increase of 2.0%;

– With an one-off accounting related impairment losses of HK$19,087,000 being recognised on the underperforming business unit, Cfu Come Limited, which has ceased operation during the year, loss for the year of the Group was HK$10,582,000. When excluding the accounting related impairment adjustment, profit of the Group for the year was HK$8,505,000, representing a decrease of 83.4%.

– Basic loss per share based on weighted average number of ordinary shares of approximately 288,261,000 (2018: approximately 288,261,000) in issue was HK4.06 cents (2018: basic earnings per share of HK16.3 cents);

– Diluted loss per share based on weighted average number of ordinary shares of approximately 288,261,000 (2018: approximately 289,691,000) in issue was HK4.06 cents (diluted earnings per share of 2018: HK16.2 cents); and

– No final dividend was proposed (2018: final dividend of HK2.0 cents per share)

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of C Cheng Holdings Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019, reviewed by Audit Committee 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 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Revenue	*3*	**685,091**	671,598
Cost of services		**(538,413)**	(472,037)
Gross profit		**146,678**	199,561
Other income and losses, net	*4*	**4,778**	2,174
Gain on disposal of debt investment at fair value through other comprehensive income		**308**	–
Gain/(loss) on fair value changes at financial assets at fair value through profit or loss		**1,929**	(2,846)
Impairment losses on financial and contract assets, net	*7*	**(1,555)**	(968)
Impairment losses on goodwill and intangible assets	*6*	**(19,087)**	–
Administrative expenses		**(127,263)**	(130,811)
Share of result of a joint venture		**(31)**	–
Finance costs	*5*	**(7,427)**	(1,825)
(Loss)/profit before tax	*7*	**(1,670)**	65,285
Income tax expense	*8*	**(8,912)**	(14,103)
(Loss)/profit for the year		**(10,582)**	51,182
Other comprehensive loss			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(2,685)**	(6,939)
Debt instrument at fair value through other comprehensive income:			
Change in fair value		**–**	(1,974)
Reclassification adjustments for gains included in profit or loss – Gain on disposal		**2,520**	–
Other comprehensive loss for the year		**(165)**	(8,913)
Total comprehensive (loss)/income for the year		**(10,747)**	42,269
(Loss)/profit for the year attributable to:			
Owners of the Company		**(11,717)**	46,982
Non-controlling interests		**1,135**	4,200
		(10,582)	51,182
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(11,763)**	38,137
Non-controlling interests		**1,016**	4,132
		(10,747)	42,269
(Loss)/earnings per share attributable to owners of the Company			
Basic *(HK cents)*	*9*	**(4.06)**	16.3
Diluted *(HK cents)*	*9*	**(4.06)**	16.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**99,157**	23,129
Goodwill		**14,743**	31,450
Intangible assets		**9,539**	8,563
Investment in a joint venture		**4,969**	–
Financial assets at fair value through profit or loss		**–**	41,478
Debt instrument at fair value through other comprehensive income		**–**	20,456
Rental and utility deposits		**11,169**	10,983
Deferred tax assets		**2,864**	998
Total non-current assets		**142,441**	137,057
Current assets			
Trade receivables	*11*	**218,893**	215,185
Contract assets		**160,065**	121,123
Prepayments, other receivables and other assets		**9,810**	12,567
Cash and bank balances		**268,193**	182,104
Total current assets		**656,961**	530,979
Current liabilities			
Trade payables	*12*	**5,446**	4,551
Other payables and accruals		**67,197**	79,633
Contract liabilities		**90,398**	71,652
Interest-bearing bank borrowings		**110,317**	54,211
Lease liabilities		**27,655**	–
Due to a joint venture		**5,000**	–
Tax payable		**2,825**	3,990
Total current liabilities		**308,838**	214,037
Net current assets		**348,123**	316,942
Total assets less current liabilities		**490,564**	453,999
Non-current liabilities			
Lease liabilities		**41,633**	–
Deferred tax liabilities		**1,741**	3,262
Total non-current liabilities		**43,374**	3,262
Net assets		**447,190**	450,737
Equity			
Issued capital		**2,883**	2,883
Reserves		**410,758**	418,984
Equity attributable to owners of the Company		**413,641**	421,867
Non-controlling interests		**33,549**	28,870
Total equity		**447,190**	450,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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")

2.1 Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, *and Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) ***HKFRS 16 Leases***

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and separately disclosed in the consolidated statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets grouping with property, plant and equipment in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	HK$'000
Assets	
Increase in property, plant and equipment	88,910
Decrease in rental deposit	(779)
Increase in total assets	88,131
Liabilities	
Increase in lease liabilities	88,131
Increase in deferred tax liabilities	119
Increase in total liabilities	88,250

(b) Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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 rendered and the Group has two reportable operating segments as follows:

(a) the comprehensive architectural services segment engages in provision of architecture, landscape architecture, town planning, interior design and heritage conservation services;

(b) the BIM services segment engages in provision of BIM consultancy services, BIM professional training services and BIM software developing.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that certain other income, gain/loss on fair value changes of financial assets at fair value through profit or loss, gain on disposal of debt instrument at fair value through other comprehensive income, impairment losses on goodwill and intangible assets as well as corporate expenses of head office are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the contract price used for service provided to and selling price for sale of IT products made to third parties at the then prevailing market prices.

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.

For the year ended 31 December 2019

	Comprehensive architectural services *HK$'000*	BIM services *HK$'000*	Total *HK$'000*
Segment revenue			
Timing of revenue recognition			
Sale of IT products at point in time	**–**	**10,683**	**10,683**
Services transferred over time	**632,080**	**42,328**	**674,408**
Revenue from contracts with customers	**632,080**	**53,011**	**685,091**
Type of goods or services			
Architecture services	**537,105**	**–**	**537,105**
Landscape architecture, town planning, interior design and heritage conservation services	**94,975**	**–**	**94,975**
BIM services	**–**	**42,328**	**42,328**
Sale of IT products	**–**	**10,683**	**10,683**
Revenue from contracts with customers	**632,080**	**53,011**	**685,091**
Inter-segment revenue	**–**	**13,630**	**13,630**
Segment revenue	**632,080**	**66,641**	**698,721**
Reconciliation:			
Elimination of intersegment revenue			**(13,630)**
External revenue			**685,091**
Segment results	**17,458**	**1,707**	**19,165**
Reconciliation			
Unallocated other income			**3,820**
Share of loss of a joint venture			**(31)**
Gain on fair value changes of financial assets at fair value through profit or loss			**1,929**
Gain on disposal of debt instruments at fair value through other comprehensive income			**308**
Impairment loss on goodwill and intangible assets			**(19,087)**
Other unallocated corporate expenses			**(7,774)**
Loss before tax			**(1,670)**

For the year ended 31 December 2018

	Comprehensive architectural services *HK$'000*	BIM services *HK$'000*	Total *HK$'000*
Segment revenue			
Timing of revenue recognition			
Sale of IT products at point in time	–	9,074	9,074
Services transferred over time	628,543	33,981	662,524
Revenue from contracts with customers	628,543	43,055	671,598
Type of goods or services			
Architecture services	545,938	–	545,938
Landscape architecture, town planning, interior design and heritage conservation services	82,605	–	82,605
BIM services	–	33,981	33,981
Sale of IT products	–	9,074	9,074
Revenue from contracts with customers	**628,543**	**43,055**	**671,598**
Inter-segment revenue	–	11,102	11,102
Segment revenue	628,543	54,157	682,700
Reconciliation:			
Elimination of intersegment revenue			(11,102)
External revenue			671,598
Segment results	60,224	13,492	73,716
Reconciliation			
Unallocated other income			4,717
Loss on fair value changes of financial assets at fair value through profit or loss			(2,846)
Other unallocated corporate expenses			(10,302)
Profit before tax			65,285

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 investment at fair value through other comprehensive incomes, financial assets at fair value through profit or loss and investment in a joint venture.

	Revenue from external customers		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Geographical markets				
Hong Kong	**201,026**	166,750	**54,760**	56,907
The PRC	**454,545**	480,550	**72,972**	15,918
Macau	**6,981**	19,662	**–**	–
Others	**22,539**	4,636	**6,876**	1,300
	685,091	671,598	**134,608**	74,125

Information about major customers

Revenue from a customer accounted for 10% or more of the total revenue of the Group is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A [1]	**72,914**	72,785

(1) *Revenue derived from comprehensive architectural services and BIM services*

4. OTHER INCOME AND LOSSES, NET

	2019	2018
	HK$'000	*HK$'000*
An analysis on the other income and losses, net is as follow:		
Other Income		
Bank interest income	**1,477**	1,538
Other interest income on debt investment at fair value through other comprehensive income	**608**	1,042
Other interest income on financial assets at fair value through profit or loss	**1,752**	2,524
Refund of PRC Value Added Tax	**937**	–
Others	**621**	144
	5,395	5,248
Losses, net		
Loss on disposal/written off of items of property, plant and equipment	**(9)**	(28)
Loss on fair value changes on contingent consideration payable	**–**	(197)
Foreign exchange differences, net	**(602)**	(2,698)
Others	**(6)**	(151)
	(617)	(3,074)
	4,778	2,174

5. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expense on:		
– Bank borrowings	**3,741**	1,825
– Lease liabilities	**3,686**	–
	7,427	1,825

6. IMPAIRMENT LOSSES ON GOODWILL AND INTANGIBLE ASSETS

In June 2019, the Group ceased the operation of an underperforming business unit, Cfu Come Limited ("Cfu Come"). Accordingly, impairment losses of goodwill and intangible assets of HK$16,631,000 and HK$2,456,000, respectively in relation to Cfu Come was fully impaired and charged to the profit or loss during the year.

7. (LOSS)/PROFIT BEFORE TAX

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**53,843**	8,126
Amortisation of intangible assets[1]	**646**	865
Minimum lease payments under operating lease[2]	**–**	38,483
Staff costs including directors and chief executives' remuneration		
– Salaries, allowances and other benefits	**431,212**	412,700
– Operating lease payments[2]	**–**	1,020
– Equity-settled share-based payments	**11,439**	8,806
– Contributions to retirement benefit schemes	**16,152**	13,705
	458,803	436,231
Impairment recognised/(reversal of impairment) on:		
– Trade receivables	**1,425**	1,636
– Contract assets	**130**	(668)
	1,555	968

Notes:

(1) Included in cost of services.

(2) The minimum lease payments under operating leases for staff quarters of HK$1,020,000 included in staff costs during the year ended 31 December 2018.

8. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**1,639**	3,729
The PRC Corporate Income Tax ("CIT")	**9,792**	11,805
Under(over) provision of Hong Kong Profits Tax in prior years	**(149)**	121
	11,282	15,655
PRC withholding tax	**1,136**	–
Deferred tax:		
Current year	**(3,506)**	(1,552)
	8,912	14,103

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the loss (2018: profit) for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 288,260,780 (2018: 288,260,780) in issue during the year.

The computation of diluted loss per share for the year ended 31 December 2019 does not assume the exercise of certain share options granted by the Company because the relevant exercise prices of those options were higher than the relevant average market prices for the year ended 31 December 2019.

During the year ended 31 December 2018, the calculation of the diluted earnings per share amounts was based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2019	2018
	HK$'000	*HK$'000*
Earnings:		
(Loss)/profit attributable to owners of the Company, used in the basis earnings per share calculation	**(11,717)**	46,982

	Number of Shares	
Shares:	**2019**	2018
Weighted average number of ordinary shares in issue during the year used in the basic loss/earnings per share calculation	**288,261,000**	288,261,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	1,430,000
	288,261,000	289,691,000

10. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 interim dividend of HK3.0 cents per ordinary share	**–**	8,648
2018 final dividend of HK2.0 cents (2018: 2017 final dividend of HK4.0 cents) per ordinary share	**5,765**	11,530
	5,765	20,178

No dividend was proposed by the Company during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period.

11. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Bills receivable	**7,812**	4,458
Trade receivables	**216,999**	215,253
	224,811	219,711
Less: Impairment	**(5,918)**	(4,526)
	218,893	215,185

* *Bills receivable held are with a maturity period less than one year*

The Group does not hold any collateral or other credit enhancements over its trade receivable balances and the trade receivables are non-interest-bearing.

An ageing analysis of trade receivables, as at the end of the reporting period, based on the invoice date, and net of loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Unbilled receivable *(note)*	**79,513**	72,989
Within 30 days	**61,488**	49,160
Over 30 days and within 90 days	**37,482**	47,855
Over 90 days and within 180 days	**15,985**	22,435
Over 180 days	**24,425**	22,746
	218,893	215,185

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

12. TRADE PAYABLES

An aged analysis of trade payables presented as at the end of the reporting period, based on the invoice date, is as follow:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**4,635**	3,382
Over 30 days and within 90 days	**15**	87
Over 90 days	**796**	1,082
	5,446	4,551

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13. EVENTS AFTER THE REPORTING PERIOD

The outbreak of coronavirus disease 2019 ("COVID-19") was first reported from Wuhan, China on 31 December 2019 and COVID-19 has spread to various other countries and regions, including the mainland China and Hong Kong in early 2020. It has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the directors confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this announcement. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information becomes available.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Refreshed Identity for LWK + PARTNERS

The Group completed a major rebrand for its major subsidiary, LWK, in early 2019. Now known as LWK + PARTNERS, the new brand reflects its current stature as a global creative platform with diverse expertise and worldwide experience after 34 years of evolution.

Collaboration between a global network of design specialists is key to this dynamic growth. Recent years have seen a vast broadening of our expertise as we provide innovative solutions for residential, commercial, mixed-use, healthcare, educational and institutional projects. We have been entrusted by major developers around the world for an extensive scope of services spanning from Architecture, Planning and Urban Design, Interiors and Landscape to Heritage Conservation, Brand Experience, Building Information Modelling ("BIM") and Lighting Design.

The refreshed identity communicates the firm's position as an industry leader, as it continues drawing on its wealth of experience and prescient insights to inspire future urban trends. It stays at the market forefront in helping different communities respond to fast-changing environments with sustainable and human-centric solutions. LWK believes there are infinite possibilities to creating a better future for all.

Global Expansion Continues

We continue to build an ever stronger network with international clients and partners, bridging the People's Republic of China ("PRC") with global markets and bringing world architecture to the PRC and Asia.

With strengthened technological and data processing capabilities, as well as exposure to smart city initiatives, we are standing on well-founded grounds to continue our expansion.

Our thriving the PRC portfolio shapes urban landscapes across the country with various project completions in key cities of the Group during the year. In the rapidly urbanising Southeast Asia, our Singapore studio opened during the year, taking the number of offices to 11 across the world and capturing new opportunities in a region whose economic and cultural influences are radiating to different parts of the world. Moreover, in the Middle East & North Africa ("MENA"), we have successfully built strategic ties through our Dubai studio which commenced operations in the second half of 2018, combining the Asian experience with local understanding of the Group to innovate in emerging markets.

Seizing potential opportunities in Greater Bay Area

Since the establishment of the Greater Bay Area ("GBA") Innovation Centre ("GBA Inno Centre") with Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("BMEDI") in November 2018, the Group, together with BMEDI, set up a joint venture, named C-Bay Smart Cities Limited ("C-Bay") in August 2019. It 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.

C-Bay has a focused mission to shape globally competitive modern city development in the GBA. C-Bay establishes an integrated service platform for the development strategies of the vibrant world class cluster by consolidating the latest smart city technologies, ecological urban planning, national quality of infrastructure and global investment strategies. This attracts invariably forward-looking industry talents and scholars, to join hands with us to position the GBA as a key link connecting cities in the PRC as well as the Belt and Road countries.

Building Information Modelling

Since 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 has also been promoted vigorously and become more common in these few years. The BIM technology enables the Group to coordinate 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 added 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.

In 2019, one of the major subsidiaries, isBIM Limited ("isBIM") received a Grand Award from the Hong Kong Institute of Building Information Modelling in the Consulting Firm Category and being recognised as one of the BEST BIM consultancy firms in Hong Kong. isBIM self-developed BIM data management platform "JARVIS" was a success as it was already adopted by numbers of local developers and projects. This JARVIS platform also has the support of Construction Innovation and Technology Fund in the Construction Industry Council. isBIM also expanded our professional BIM services to Singapore, and begin to promote our service into other Asian countries, such as Thailand, Korea and Malaysia, etc.

Stellar Achievements

Driving positive impact for the community is the single biggest motivation for each of our initiatives. The World Architecture 100 2020 report ranked LWK as the world's 36th largest architecture practice again, plus the world's fifth in the residential market. The commitment has also been recognised during the year with a total of 73 international awards in 2019 for design excellence and project quality.

LWK was winner of the MIPIM Asia Awards 2019, MIPIM Architectural Review Future Project Award 2019, The Global RLI Awards 2019, Cityscape Awards for Emerging Markets 2019, International Property Awards – Asia Pacific Property Awards 2019, PropertyGuru Asia Property Awards 2019 and LIT Lighting Design Awards 2019.

In the PRC, we were named the overall winner in the 14th Kinpan Awards 2019 with a stunning 38 titles, which is especially encouraging in our second year of participation of the Awards. We also continue to be among the Top 10 Architects in the BCI Asia Awards. We also won the 5th CREDAWARD 2019 and China Commercial Real Estate Industry Annual Awards 2019.

BUSINESS REVIEW

Comprehensive Architectural Services

The Group aimed to strengthen its market position as one of the leading comprehensive architectural service providers in Hong Kong and the PRC. New offices set up in Dubai and Singapore over the last two years enlarged our market into the MENA and South East Asia. With the expansion in recent years, we successfully achieved greater market penetration, the value of our remaining contract sum continuously breaking the record high and so we are confident with the future revenue growth despite of the recent destabilising factors in the market.

During the year, our comprehensive architectural business contributed HK$632,080,000 in revenue, representing an increase of 0.6%. We secured 233 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK$757,923,000, as compared with HK$874,815,000 in 2018, representing a decrease of 13.4%. As at 31 December 2019, the Group had remaining contract sums of approximately HK$1,395,990,000, increased by 4.3% as compared with HK$1,338,323,000 at 2018. As our main stream of practice, our traditional sector in architecture contributed approximately 85% of the revenue to our comprehensive architectural services.

BIM Services

isBIM services cover BIM consultancy services, digital transformation consultancy services, cloud based BIM platform development, cloud based project management platform development, sale of IT related products and BIM professional training services. The project nature of isBIM covers smart cities, infrastructure projects, transit projects and large-scale property development.

During the year, the revenue of isBIM amounted to HK$66,641,000 when compared to revenue of HK$54,157,000 in 2018, represented an increase of 23.1%. isBIM successfully secured 102 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK$83,928,000, representing an increase of 75.7% when compared to HK$47,780,000 of last year. Remaining contract sum as at 31 December 2019 was approximately HK$88,434,000, increased by 71.2% as compared with HK$51,643,000 at 2018.

We believe that together with the experience and connections of the Group in our traditional architecture services, isBIM will be able to connect our existing architecture services and create extended value to our customers. isBIM launched a self-developed BIM data management platform "JARVIS" in the first half of 2019. Clients include top-ten developers in the PRC and we expect to see incremental growth for JARVIS platform business, with the use of big data and artificial intelligence technology. This digital platform is able to handle data more effectively for clients throughout the whole life cycle of the project with smart management technology and smart city development, etc., offering a comparative advantage especially when combined with the professional BIM consultancy services.

FINANCIAL OVERVIEW

Revenue

Despite of the record high contract on hand of the Group, the impact arising from the continuation and escalation of the Sino-US Trade War throughout 2019 deal a severe blow to confidence in the market, while remain optimistic in the long run. In short term, developers are conservative on their capital investment, delays in the progress of projects during the year chilled revenue growth of the Group. During the year, the revenue of the Group was HK$685,091,000, compared with that of HK$671,598,000 in 2018, representing an increase of 2.0%.

Cost of services

Cost of services for the year amounted to HK$538,413,000, when compared with that of HK$472,037,000 in 2018, representing an increase of 14.1%. Over 42% of such increment during the year is contributed by the increase in direct staff costs and project costs due to the increasing amount of contracts on hand.

Gross profit and gross profit margin

Gross profit for the year amounted to HK$146,678,000, decreased by 26.5% when compared with 2018. Gross profit margin of the Group decreased from 29.7% to 21.4%. The decrease in gross profit margin during the year was due to the expansion of the professional team leading to an increase in staff costs and overhead cost, while the growth in revenue was not in the same pace due to the aforementioned delay in progress of projects.

Administrative expenses

Administrative expenses for the year amounted to HK$127,263,000, comparing with the corresponding period of HK$130,811,000, representing a decrease of 2.7%. The decrease was mainly due to the decrease in performance bonus of the Board.

Loss for the year

Loss for the year of 2019 was HK$10,582,000 (2018: profit for the year of HK$51,182,000). When excluding the non-recurring accounting related impairment losses of HK$19,087,000 from the cessation of underperforming business unit, profit for the year of 2019 was HK$8,505,000.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current assets	**656,961**	530,979
Current liabilities	**308,838**	214,037
Current ratio	**2.13**	2.48

The current ratio of the Group at 31 December 2019 was 2.13 times as compared to that of 2.48 times at 31 December 2018. It was mainly resulted from the increase in lease liabilities due to the application of HKFRS 16 and increase in bank borrowings during the year.

As at 31 December 2019, the Group had total bank balances and cash of HK$268,193,000 (2018: HK$182,104,000). The unutilised banks' facility is HK$35,000,000 (2018: HK$21,000,000) as at 31 December 2019. The Group is having sufficient funding for future expansion and merger and acquisition plans.

As at 31 December 2019, the gearing ratio of the Group is 24.7% (represented by unsecured bank borrowings divided by total equity) (as at 31 December 2018: 12.0%).

The borrowings of the Group 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

As an industry leader in the region, the Group offers diversified urban design services as well as BIM consultancy services to governments and prominent developers. It stands out from its peers in the market with full-spectrum capacities in design and integrated digital delivery.

According to the *Outline Development Plan for the Guangdong-Hong Kong-Macau Greater Bay Area* promulgated on 18 February 2019, the combined strength of GBA cities will be increased substantially and the internal driving forces for development will be further enhanced in the region. The framework for an international first-class bay area and world-class city cluster that is vibrant and highly innovative with an optimised industrial structure, a smooth flow of various factors and a pleasant ecological environment will essentially be formed by 2022.

In the coming year, the Group will maximise the benefits of our unique position to materialise the opportunities in the GBA. We provide total design solutions and digital roadmaps for large-scale developments starting all the way from early conception and master planning. Being involved in the early planning stages of these projects not only increases the revenue and the chances of obtaining subsequent contracts in various disciplines for the Group, it also opens up a window for investment opportunities when it comes to good and promising projects. Moreover, the Group will continue to explore the vertical expansion of our service chain, for achieving maximum benefits for the Shareholders.

While we maintain our strong position in the current design service market, we are working with goodwill in numerous opportunities in the GBA, all of which are large-scale complex developments and technology-led projects. It is reasonable to anticipate an acceleration of growth in the GBA and overall infrastructure investment when the pandemic is stabilised. The Group is well equipped to participate in the rapid development in the GBA in the coming future.

The outbreak of COVID-19 since December 2019 across mainland China has inevitably caused negative impacts on the economy. In the short run, various preventive measures imposed by the relevant governments and corporates have no doubt delayed the progress of the projects and will therefore affect the consolidated results of the Group for the first quarter of 2020. The Group takes an active role to minimise the impact from COVID-19. In the medium run, it is expected that the PRC government will exercise monetary policies to boost the economy. Urban development and infrastructure are some of the most promising areas for investment. The Group is in a good position to benefit from the opportunities. The Group will proactively evaluate the situation and development of the COVID-19 and spot the right opportunities to generate the next growth trend.

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 2019, 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 2019**
	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	29.5
To enhance the Company's information technology infrastructure and working capital	6.0	6.0
	145.8	69.8

Notes:

(a) The planned use of proceeds for the Subscription was based on the best estimation of the future market conditions made by the Group at the Subscription. The use of proceeds was applied in accordance with the actual development of market.

(b) Since the Subscription, the Group expanded the offices in the PRC, like Beijing Studio, GBA Studio and also the overseas markets, like Dubai Studio and Singapore Studio in order to capture potential opportunities in different locations and to strengthen the international position of the Group. Hence, the actual use of proceeds on this category was higher than the planned use of proceeds.

(c) In order to support the expansion and improvement in working productivity of the Group, information technology infrastructure was enhanced and upgraded since the Subscription.

(d) The unutilised use of proceeds is expected to be used in accordance with the three categories as disclosed at the Subscription and to be used by 2022 depending on the future development of the Group.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2019. The capital of the Group only comprises of ordinary shares.

FOREIGN EXCHANGE EXPOSURE

Most of the business transactions, assets and liabilities of the Group are principally denominated in Hong Kong dollars, United States dollars and Renminbi. As at 31 December 2019, 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 2019, the Group did not have any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, during the year ended 31 December 2019, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2019, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

DIVIDEND

The Directors did not recommend the payment of any dividend for the year ended 31 December 2019 (2018: interim dividend of HK3.0 cents per share and final dividend of HK2.0 cents per share).

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2019 (2018: Nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2019 (2018: Nil).

COMMITMENTS

As at 31 December 2019, the Group has capital commitment in respect of investment in a joint venture, C-Bay of HK$10,000,000 which has been contracted but not provided for in the consolidated financial statements.

As at 31 December 2018, the contractual commitments of the Group are primarily related to the leases of its office premises and staff quarters, amounted to approximately HK$95,174,000 with the adoption of HKFRS 16 since 1 January 2019, such commitment was recognised as lease liabilities as at 31 December 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed over 1,100 (2018: around 1,000) 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 (the “Shareholders”) on 5 December 2013 (the “Share Option Scheme”).

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 2019.

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 2019.

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 Rules ("Listing Rules") Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")) 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 2019, 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 (the "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 2019 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 2019.

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 annual results of the Group for the year ended 31 December 2019; 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 ERNST & YOUNG

The figures in respect of the 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 2019 of the Group as set out in the preliminary announcement have been agreed by the auditor of the Company, to the amounts set out in the consolidated financial statements of the Group for the year. The work performed by the auditor of the Company 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 the auditor of the Company on the preliminary announcement of the Company.

PUBLICATION OF 2019 ANNUAL RESULTS AND 2019 ANNUAL REPORT

The annual results announcement of the Company is published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.cchengholdings.com). The annual report of the Company for the year ended 31 December 2019 and the notice of the annual general meeting of the Company will be dispatched to the Shareholders and published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.cchengholdings.com) in due course.

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

Hong Kong, 30 March 2020

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.