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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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND CHANGE IN USE OF PROCEEDS

BUSINESS HIGHLIGHTS

- Total new and supplementary contracts secured during the year totaled HK\$1,077,446,000 (2020: HK\$983,657,000), representing an increase of 9.5%; and
- Remaining contract sums totaled HK\$1,823,032,000 (2020: HK\$1,733,404,000), representing an increase of 5.2%.

FINANCIAL HIGHLIGHTS

- Revenue of the Group was HK\$861,990,000 (2020: HK\$717,172,000), representing an increase of 20.2%;
- With an one-off additional share option expenses recognised due to acceleration of vesting for certain cancelled share options, profit for the year was HK\$4,505,000, when excluding such accounting related adjustment, profit of the Group for the year was HK\$10,684,000 (2020: HK\$14,243,000);
- Basic loss per share based on weighted average number of ordinary shares of 288,260,780 (2020: 288,260,780) in issue was HK0.40 cents (2020: basic profit per share of HK3.29 cents);
- Diluted loss per share based on weighted average number of ordinary shares of 288,661,051 (2020: 288,260,780) in issue was HK0.39 cents (2020: diluted profit per share of HK3.29 cents); and
- No final dividend was proposed (2020: Nil).

UNAUDITED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of C Cheng Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, reviewed by the audit committee of the Company (the “**Audit Committee**”) together with the comparative figures for the preceding financial year as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Revenue	3	861,990	717,172
Cost of services		(699,260)	(583,825)
Gross profit		162,730	133,347
Other income and gains, net	4	12,730	32,756
(Loss)/gain on fair value changes at financial assets at fair value through profit or loss		(550)	841
Impairment losses on financial and contract assets, net	7	(5,207)	(1,879)
Impairment losses on intangible assets	6	–	(289)
Administrative expenses		(154,278)	(137,359)
Share of loss of a joint venture		(490)	(675)
Share of loss of an associate		(12)	–
Finance costs	5	(5,160)	(7,443)
Profit before tax	7	9,763	19,299
Income tax expense	8	(5,258)	(5,056)
Profit for the year		4,505	14,243
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		8,439	10,995
Other comprehensive income for the year		8,439	10,995
Total comprehensive income for the year		12,944	25,238
Profit/(loss) for the year attributable to:			
Owners of the Company		(1,139)	9,498
Non-controlling interests		5,644	4,745
		4,505	14,243
Total comprehensive income for the year attributable to:			
Owners of the Company		7,132	19,912
Non-controlling interests		5,812	5,326
		12,944	25,238
(Loss)/earnings per share attributable to owners of the Company			
Basic (HK cents)	9	(0.40)	3.29
Diluted (HK cents)	9	(0.39)	3.29

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		124,798	134,891
Goodwill		15,655	15,505
Intangible assets		11,434	10,908
Investment in a joint venture		4,156	4,506
Investment in an associate		355	–
Prepayments and deposits		11,870	10,406
Deferred tax assets		6,726	4,124
Total non-current assets		<u>174,994</u>	<u>180,340</u>
Current assets			
Trade receivables	11	228,442	224,958
Contract assets		226,778	182,242
Financial assets at fair value through profit or loss		17,203	28,951
Prepayments, deposits, other receivables and other assets		57,979	39,366
Cash and bank balances		198,128	228,412
Total current assets		<u>728,530</u>	<u>703,929</u>
Current liabilities			
Trade payables	12	9,913	18,748
Other payables and accruals		78,401	89,172
Contract liabilities		103,478	101,136
Interest-bearing bank borrowings		67,671	58,519
Other interest-bearing borrowings		6,146	465
Lease liabilities		35,257	42,321
Tax payable		4,680	1,363
Total current liabilities		<u>305,546</u>	<u>311,724</u>
Net current assets		<u>422,984</u>	<u>392,205</u>
Total assets less current liabilities		<u>597,978</u>	<u>572,545</u>
Non-current liabilities			
Other interest-bearing borrowings		2,508	1,598
Lease liabilities		72,169	77,104
Deferred tax liabilities		1,249	769
Total non-current liabilities		<u>75,926</u>	<u>79,471</u>
Net assets		<u>522,052</u>	<u>493,074</u>
Equity			
Issued capital		2,883	2,883
Reserves		466,029	443,590
Equity attributable to owners of the Company		468,912	446,473
Non-controlling interests		53,140	46,601
Total equity		<u>522,052</u>	<u>493,074</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“**HIBOR**”) as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has adopted the amendment and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$131,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

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, IT 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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that certain other income, share of loss of a joint venture, share of loss of an associate, (loss)/gain on fair value changes of financial assets at fair value through profit or loss, impairment losses on intangible assets, certain share option expenses 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 2021

	Comprehensive architectural services HK\$'000 (Unaudited)	BIM services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue			
<i>Timing of revenue recognition</i>			
Sale of IT products at point in time	–	11,518	11,518
Services transferred over time	735,177	115,295	850,472
	<u>735,177</u>	<u>115,295</u>	<u>850,472</u>
Revenue from contracts with customers	<u>735,177</u>	<u>126,813</u>	<u>861,990</u>
<i>Type of goods or services</i>			
Architecture services	638,323	–	638,323
Landscape architecture, town planning, interior design and heritage conservation services	96,854	–	96,854
BIM services	–	115,295	115,295
Sale of IT products	–	11,518	11,518
	<u>735,177</u>	<u>126,813</u>	<u>861,990</u>
Revenue from contracts with customers	735,177	126,813	861,990
Intersegment revenue	–	9,281	9,281
	<u>735,177</u>	<u>136,094</u>	<u>871,271</u>
Segment revenue	735,177	136,094	871,271
Reconciliation:			
Elimination of intersegment revenue			(9,281)
			<u>861,990</u>
External revenue			<u>861,990</u>
Segment results	<u>3,993</u>	<u>16,029</u>	<u>20,022</u>
Reconciliation:			
Unallocated other income			1,943
Share of loss of a joint venture			(490)
Share of loss of an associate			(12)
Loss on fair value changes of financial assets at fair value through profit or loss			(550)
Share option expenses recognised			(6,751)
Other unallocated corporate expenses			(4,399)
			<u>9,763</u>
Profit before tax			<u>9,763</u>

For the year ended 31 December 2020

	Comprehensive architectural services <i>HK\$'000</i> (Audited)	BIM services <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment revenue			
<i>Timing of revenue recognition</i>			
Sale of IT products at point in time	–	7,731	7,731
Services transferred over time	641,883	67,558	709,441
Revenue from contracts with customers	<u>641,883</u>	<u>75,289</u>	<u>717,172</u>
<i>Type of goods or services</i>			
Architecture services	564,497	–	564,497
Landscape architecture, town planning, interior design and heritage conservation services	77,386	–	77,386
BIM services	–	67,558	67,558
Sale of IT products	–	7,731	7,731
Revenue from contracts with customers	<u>641,883</u>	<u>75,289</u>	<u>717,172</u>
Intersegment revenue	<u>–</u>	<u>8,167</u>	<u>8,167</u>
Segment revenue	641,883	83,456	725,339
Reconciliation:			
Elimination of intersegment revenue			<u>(8,167)</u>
External revenue			<u>717,172</u>
Segment results	<u>16,463</u>	<u>9,887</u>	26,350
Reconciliation:			
Unallocated other income			1,325
Share of loss of a joint venture			(675)
Gain on fair value changes of financial assets at fair value through profit or loss			841
Impairment losses on intangible assets			(289)
Share option expenses recognised			(3,181)
Other unallocated corporate expenses			<u>(5,072)</u>
Profit before tax			<u>19,299</u>

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, investment in a joint venture and investment in an associate.

	Revenue from external customers		Non-current assets	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<i>Geographical markets</i>				
Hong Kong	261,751	204,888	90,487	98,923
The PRC	570,798	486,004	70,458	65,551
Macau	3,057	1,900	–	–
Others	26,384	24,380	2,812	7,236
	861,990	717,172	163,757	171,710

Information about a major customer

During the year ended 31 December 2021 and 31 December 2020, there is no customer at which revenue from sales accounted for 10% or more of the total revenue of the Group.

4. OTHER INCOME AND GAINS, NET

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
An analysis on the other income and gains, net is as follow:		
Other Income		
Bank interest income	1,480	2,025
Government subsidies	1,486	23,177
Refund of PRC Value Added Tax	1,498	1,624
Rent concession related to Covid-19	131	–
Others	4,110	4,092
	<u>8,705</u>	<u>30,918</u>
Gains, net		
Loss on disposal/written off of items of property, plant and equipment	(1,138)	(2,164)
Gain/(loss) on surrender of leases	3,253	(229)
Foreign exchange differences, net	1,910	4,253
Others	–	(22)
	<u>4,025</u>	<u>1,838</u>
	<u>12,730</u>	<u>32,756</u>

5. FINANCE COSTS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Interest expenses on:		
– Bank borrowings	1,440	2,770
– Lease liabilities	3,613	4,634
– Others	107	39
	<u>5,160</u>	<u>7,443</u>

6. IMPAIRMENT LOSSES ON INTANGIBLE ASSETS

During the year ended 31 December 2020, management determined that there was an impairment on a club membership amounting to HK\$289,000 which was included in intangible assets by reference to the quoted market prices of HK\$280,000 which is classified as level 1 of the fair value hierarchy.

7. PROFIT BEFORE TAX

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Profit before tax has been arrived at after charging/(crediting):		
Cost of sale of IT products	9,949	7,257
Cost of services rendered	689,311	576,568
Depreciation of property, plant and equipment	57,354	53,629
Amortisation of intangible assets ¹	2,109	1,610
Auditor's remuneration (including remuneration for non-audit services)	2,306	2,250
Loss on disposal/written off of property, plant and equipment	1,138	2,164
(Gain)/loss on surrender of leases	(3,253)	229
Staff costs including directors and chief executives' remuneration		
– Salaries, allowances and other benefits	534,432	460,726
– Equity-settled share-based payments	15,307	13,500
– Contributions to retirement benefit schemes	23,479	14,753
	<u>573,218</u>	<u>488,979</u>
Impairment recognised on:		
– Trade receivables, net	3,909	1,669
– Contract assets, net	1,298	210
	<u>5,207</u>	<u>1,879</u>

Note:

(1) Included in cost of services.

8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Current tax:		
Hong Kong Profits Tax	3,031	1,554
The PRC Corporate Income Tax (“CIT”)	4,094	6,023
Under/(over) provision of Hong Kong Profits Tax in prior years	255	(273)
	<u>7,380</u>	<u>7,304</u>
Deferred tax	<u>(2,122)</u>	<u>(2,248)</u>
	<u><u>5,258</u></u>	<u><u>5,056</u></u>

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

The calculations of basic and diluted (loss)/earnings per share are based on:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
(Loss)/earnings:		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earning per share calculation	<u><u>(1,139)</u></u>	<u><u>9,498</u></u>

	Number of Shares	
	2021 (Unaudited)	2020 (Audited)
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basis (loss)/earnings per share calculation	288,260,780	288,260,780
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>400,271</u>	<u>–</u>
	<u><u>288,661,051</u></u>	<u><u>288,260,780</u></u>

10. DIVIDENDS

No final dividend was proposed nor paid by the Company in respect of the years ended 31 December 2021 and 2020.

11. TRADE RECEIVABLES

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Bills receivables	10,150	8,824
Trade receivables	<u>230,075</u>	<u>223,721</u>
	240,225	232,545
Impairment	<u>(11,783)</u>	<u>(7,587)</u>
	<u><u>228,442</u></u>	<u><u>224,958</u></u>

* *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:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Unbilled receivable (<i>Note</i>)	62,346	82,679
Within 30 days	59,491	63,623
Over 30 days and within 90 days	53,226	43,725
Over 90 days and within 180 days	23,075	18,482
Over 180 days	<u>30,304</u>	<u>16,449</u>
	<u><u>228,442</u></u>	<u><u>224,958</u></u>

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

12. TRADE PAYABLES

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within 30 days	4,164	16,775
Over 30 days and within 90 days	1,463	1,096
Over 90 days	4,286	877
	<u>9,913</u>	<u>18,748</u>

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. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation. In the opinion of the Directors of the Company, this presentation would better reflect the financial performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Global transition towards carbon neutrality

The Group continued to perform healthily and maintain a sound financial position during the year amid uncertainties and disruptions associated with the ongoing COVID-19 pandemic. Especially in Mainland China, our key market, we sustained a strong position to influence regional urban developments and capture dynamic opportunities from one of the world's fastest recovering economies, thanks to a solid clientele, deep-rooted local networks and a flexible business model.

The Group is leading a proactive role in transforming a greener building industry under the international goal towards carbon neutrality or net zero emissions. During the year, our major architectural business continued to deliver positive results with a dedicated focus on helping cities over the world become climate-adaptive, resilient and sustainable. We apply sustainable design expertise to ongoing projects and our team was recognised with a Merit prize in the Advancing Net Zero Ideas Competition organised by Hong Kong Green Building Council. Our continuous innovation and research on low-carbon, biophilic cities and architecture not only align closely with global trends, but also enhance our competitiveness in a dramatically changing industry.

The Group continues to advance the growth of data-driven intelligent cities from design to operations. Our growing digitalisation business has unlocked unprecedented opportunities for our comprehensive architectural capabilities, strengthening our position as one of the region's leading interdisciplinary urban solutions providers. On the level of daily operations, we are steadily on track towards a fully digitalised, BIM-enabled workflow from planning and design to construction and operations.

In Middle East and North Africa region, the Group made headways in bolstering our presence by securing large-scale public projects in principal cities with consistent progress in existing projects. We remained a well-trusted design and planning partner for governments and major developers while new opportunities are coming on the way.

Driving smart, sustainable urban development in GBA

During the year, the Group saw its influence significantly expanding in the Guangdong-Hong Kong-Macao Greater Bay Area (“**GBA**”), a region of strategic importance in Mainland China where rapid, large-scale urbanisation has led to a soaring demand for high-quality infrastructure. We continued to respond to the wealth of opportunities with key commissions that reshaped prime areas such as the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone. Our Shenzhen office also moved into Qianhai in response to steady business growth, ensuring that we stay at the forefront of change and innovations.

We celebrated the groundbreaking of the C Cheng Future Urban Solutions Headquarters in the Design Capital of Guangzhou, slated to be the tallest landmark in that area. This forthcoming new space in the provincial capital reinforces our long-term focus in the GBA and our determination to grow with it. At the same time, our major subsidiary LWK + PARTNERS became the first Hong Kong– or Macao-based architectural design practice to set up premises in the Design Capital of Guangzhou, lending extensive global design experience to the smart development of the region.

C-Bay Smart Cities Limited, our partnership with leading urban infrastructure design and engineering firm BMEDI, provides future-proof, scalable smart city solutions and critical consultation services to fast-growing cities to help municipalities make better decisions in facing contemporary challenges through efficient management of big data. Its emerging success and prominence in the GBA have given the Group unparalleled advantages as one of the area’s chief providers of innovative urban solutions.

Digital Transformation in the Architecture, Engineering & Construction (“AEC”) Industry

The Government of the Hong Kong Special Administrative Region (“HKSAR”) has taken various measures to enhance the requirements for digital transformation in recent years. In 2021, the Development Bureau developed a BIM road map for enhancement of BIM uses from fundamental BIM uses in project management at design and construction stages to more sophisticated BIM uses on digital fabrication asset management, smart city planning and adopting BIM for e-tendering so as to apply BIM to the whole project life cycle and smart city development.

The Group made significant progress as a market pioneer of digital transformation. As lockdowns and travel restrictions related to COVID-19 posed huge challenges to project management, isBIM responded by developing Jarvis DT – a Digital Twin SaaS Solution for built world. Jarvis DT is a centralised data management solution for building and infrastructure. Jarvis DT provides a single interface allowing actionable insights for all asset data, covered multiple business operations and project stages. Over time, Jarvis DT can be used to reduce capital and operating expenses, increase or protect revenue and better manage risk and compliance.

Jarvis DT uses static, historic and live operating data to create actionable insights that not only provide efficiencies but transforms the way in which occupants and users engage with the assets. Jarvis DT also allows users to prepare their data for open protocol communication and connectivity and enable users to make proactive, data-led decisions in real time, to grow profits, reduce expenses and better manage risk.

The launch of Jarvis DT was a success as it was already adopted by a number of developers and projects in GBA. In December 2021, Jarvis Digital Twin SaaS Solution won the Silver Award in the “2nd Greater Bay Area 5G Application and Innovation Challenge”.

Marks of Distinction

During the year, the Group took home more than 130 international and local awards for outstanding corporate performance, design excellence and exceptional capabilities demonstrated by individual members. We continued to rank among the world's top 100 architecture firms, standing 32nd globally according to the eminent World Architecture 100 2022 report, which also placed us 4th in the worldwide retail market, 8th in mixed-use and 10th in residential. We remained one of Hong Kong's Top 10 Architects in BCI Asia Awards 2021 for the 10th time and was recognised the Best Luxury Architect Studio in Dubai, United Arab Emirates in Luxury Lifestyle Awards 2021. At the same time, we were again listed a top 100 cultural enterprise in Shenzhen.

LWK + PARTNERS was a winner of The 15th International Design Awards 2021, 2021 Architecture MasterPrize, The Global RLI Awards 2021, German Design Awards 2021, ICONIC AWARDS 2021, Asia Hospitality and Retail Design Awards 2021, Asia Pacific Property Awards 2021-22, Architizer A+ Awards 2021, MUSE Design Awards 2021, Luxury Lifestyle Awards 2021 and Architecture Leaders Awards 2021. We also reached the finals in the extremely distinguished MIPIM Awards 2021 and World Architecture Festival 2021.

The Group is proud to remain a market leader in the PRC, entitled Top 1 Architectural Design Firm in the 16th Kinpan Awards 2021 and Architectural Design (Top 1) in 2021 Kinpan China Real Estate Product Powers. Our projects also earned well-deserved plaudits in the 2021 World Architecture Festival China Design Awards, HKIUD Urban Design Awards 2021, A&D Awards 2021, The 7th CREDAWARD 2020-2021, Green Building Award 2021, GBE Real Estate Design Award 2021, GBE HOPSCA Awards 2021, GBE Office Building Award 2021, 2021 LEED Homes Awards, 2021 Pro+ Award, ELA International Landscape Awards 2021 and three different engineering exploration and design awards given by professional bodies in Guangdong, Shenzhen and Chongqing.

It is worth noting that six of our architects got selected as 40 under 40 in 2021, one of Hong Kong's most prestigious titles given to architects and designers under 40 years old annually, while one of our senior members in Mainland China was awarded 2020-2021 Outstanding Architect. Three members of our Dubai studio have also appeared on powerlists recognising the most influential figures in the industry, published by various media.

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 Mainland China.

During the year, our comprehensive architectural business contributed HK\$735,177,000 in segment revenue, representing an increase of 14.5%. We secured 306 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$915,971,000, as compared with HK\$852,081,000 in 2020, representing an increase of 7.5%. As at 31 December 2021, the Group's segment had remaining contract sums of approximately HK\$1,638,905,000, increased by 3.4% as compared with HK\$1,584,628,000 in 2020. As our main stream of practice, our traditional sector in architecture contributed approximately 87% 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, IT platform integration and BIM professional training services. The project nature of isBIM covers smart cities, infrastructure projects, transit projects and large-scale property development. The cloud-based platform and its business nature leading our BIM sector resilient to the pandemic. There was a continuous growth in revenue and staggering increment in new contracts value and remaining contract fee on hand.

During the year, the segment revenue of isBIM amounted to HK\$136,094,000 when compared to segment revenue of HK\$83,456,000 in 2020, represented an increase of 63.1%. isBIM successfully secured 193 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$161,475,000, representing an increase of 22.7% when compared to HK\$131,576,000 of last year. Remaining contract sum as at 31 December 2021 was approximately HK\$184,127,000, increased by 23.8% as compared with HK\$148,776,000 in 2020.

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 2019 and integrated with Facility Management and Asset Management in 2021. Clients include top-ten developers in the PRC and we expect to see incremental growth for JARVIS platform business in the coming future, 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

During the year, the revenue of the Group was HK\$861,990,000, compared with that of HK\$717,172,000 in 2020, representing an increase of 20.2%. The outbreak of the pandemic in early 2020 led to extraordinary disruptions to the business activities of the Group and adversely affected the projects progress. In 2021, the Group endeavored to secure new contracts and completion of projects in progress.

Cost of services

Cost of services for the year amounted to HK\$699,260,000, when compared with that of HK\$583,825,000 in 2020, representing an increase of 19.8%. Increase in current year was mainly represented by the expansion of the professional team in order to serve its enlarged contracts on hand.

Gross profit and gross profit margin

Gross profit for the year amounted to HK\$162,730,000, increased by 22.0% when compared with 2020. Gross profit margin of the Group slightly increased from 18.6% to 18.9% in current year.

Administrative expenses

Administrative expenses for the year amounted to HK\$154,278,000, comparing with the corresponding period of HK\$137,359,000, representing an increase of 12.3%. The increase was mainly due to the increase in staff cost and headcount for the administrative support as well as additional share option expenses recognised due to acceleration of vesting for certain cancelled share option in February 2021, amounting to HK\$6,179,000.

Profit for the year

Profit for the year of 2021 was HK\$4,505,000 which included an one-off additional share option expenses recognised due to acceleration of vesting for certain cancelled share options. When excluding such accounting related adjustment, profit of the Group for the year was HK\$10,684,000 (2020: HK\$14,243,000).

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	728,530	703,929
Current liabilities	305,546	311,724
Current ratio	<u>2.38</u>	<u>2.26</u>

The current ratio of the Group at 31 December 2021 was 2.38 times as compared to that of 2.26 times at 31 December 2020. Increase in current ratio in current year was mainly resulted from the increase in contract assets due to the enlarged contract work in progress during the year.

As at 31 December 2021, the Group had total bank balances and cash of HK\$198,128,000 (2020: HK\$228,412,000). The unutilised banks' facility was HK\$58,000,000 (2020: HK\$73,000,000) as at 31 December 2021. The Group is having sufficient funding for future expansion and merger and acquisition plans.

As at 31 December 2021, the gearing ratio of the Group was 14.6% (represented by unsecured bank borrowings and other interest-bearing borrowings divided by total equity) (as at 31 December 2020: 12.3%).

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

Resilience will be a pervasive theme in the year 2022 as the COVID-19 pandemic continues to throw uncertainties on global markets. The Group will keep relying on full-spectrum capabilities to deliver integrated and eco-friendly built environment solutions in China, Southeast Asia and MENA. We are confident that our practical work and professionalism are helping diverse fields navigate heightening challenges in global cities today, which will see their lasting impact continue to unfold in the coming years.

Our research unit has maintained strong ties with academic institutions to fortify its work on carbon-neutral design and on improving the city living experience. It is extending its partnership with Shenzhen University with a series of new upcoming collaboration to promote knowledge sharing across sectors. At the same time, the Group works with its worldwide partner network serving as source of insight for the industry to encourage interactive knowledge transfer across the supply chain.

In the GBA, we expect to take up an increasingly major role in leading its smart and sustainable development, especially when it comes to transit-oriented developments in high-density cities. As our digitalisation business continues to mature, we have seen synergy escalating between our different businesses. For example, we will scale up the incorporation of artificial intelligence and Internet of Things (IoT) in architectural design to optimise energy consumption and cut down carbon emissions while elevating the human experience.

Going forward, the Group will be on constant lookout for opportunities for growth and stay relevant to the latest trends while cementing our leading position in the industry, especially in the GBA, to maximise benefits for our shareholders.

USE OF PROCEEDS AND CHANGE IN 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 Beijing General Municipal Engineering Design and Research Institute Co., Ltd. (the “**Subscription**”) were approximately HK\$145.8 million.

During the year ended 31 December 2021, the net proceeds from the Subscription had been applied and on 31 March 2022, the Board has resolved to change in use of the unutilised net proceeds as follows:

	Planned use of net proceeds <i>HK\$ million</i>	Actual use of net proceeds up to 31 December 2021 <i>HK\$ million</i>	Unutilised (over-unutilised) use of net proceeds up to 31 December 2021 <i>HK\$ million</i>	Reallocation of the unutilised net proceeds <i>HK\$ million</i> <i>(Note a)</i>
For potential merger and acquisition of targets in the similar business of the Company for vertical integration strategies	126.8	42.5	84.3	–
To expand the offices of the Group in order to maximise the benefits from the established and expanding client network <i>(Note b)</i>	13.0	40.5	(27.5)	–
To enhance the Company’s information technology infrastructure and working capital <i>(Note c)</i>	6.0	6.2	(0.2)	54.3
For potential investment opportunities and establishment of business including but not limited to Smart City business	–	–	–	30.0
	<u>145.8</u>	<u>89.2</u>	<u>56.6</u>	<u>84.3</u>

Notes:

- (a) It is expected that the unutilised net proceeds to be fully utilised to be extended till the end of 2023 in view of the current market circumstances and is subject to change depending on the market conditions and developments at the relevant times.
- (b) Since the Subscription, the Group expanded the offices in Mainland China and also the overseas markets 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.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Board is of the view that the use of proceeds should be appropriately adjusted to maintain maximum flexibility for better accommodation to the changing market conditions and industry environment. The Company has been actively exploring various strategic acquisition opportunities since April 2017, but has not identified suitable investment opportunities, other than isBIM Limited in late 2017, and Mettle Capital Limited and Accentrix Company Limited in 2020. Accordingly, based on the interests of the Company and its shareholders as a whole and in light of market conditions and the Company's business needs, the Company, for the sake of enhancing the efficiency and effectiveness of capital utilisation, intends to reallocate the balance of the proceeds of HK\$84.3 million for potential merger and acquisition for vertical integration strategies to (i) enhance information technology infrastructure enhancement and general working capital for ordinary operation of the Group with HK\$54.3 million and (ii) HK\$30.0 million for potential investment opportunities and establishment of business including but not limited to Smart City business.

The Group continues exploring different investment opportunities bringing values to the Group, but not only by merger and acquisition. In the event that there are suitable acquisitions in the future, the Company shall still use its own funds directly for the acquisitions, and the Company's merger and acquisition strategy will not be affected because of the change in the use of proceeds raised. The above change will enable the Company to deploy financial resources in a more efficient manner in accordance with changes in market conditions.

Save for the aforesaid changes, there is no other changes in the use of the net proceeds. The Board considers that the change is in the best interest of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group. The Board will continuously assess the plans for the use of unutilised net proceeds and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance for the Group.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2021. 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 2021, 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 2021, 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 2021, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2021, 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 final dividend for the year ended 31 December 2021 (2020: Nil).

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2021 (2020: Nil).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group provides guarantees amounted to HK\$4,136,000 (2020: HK\$4,064,000) to secure services performance bonds issued by a bank on behalf of a subsidiary's performance obligation on certain projects.

COMMITMENTS

As at 31 December 2021 and 2020, the Group has capital commitment in respect of investment in a joint venture, C-Bay Smart Cities Limited of HK\$10,000,000 which has been contracted but not provided for in the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed around 1,450 (2020: around 1,300) full-time 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 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 2021.

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 2021.

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 2021, 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 2021 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 2021.

AUDIT COMMITTEE

The Audit Committee 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 is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed as a result of the various measures and restrictions in Mainland China and Hong Kong on COVID-19 pandemic, the number of confirmed cases of COVID-19 among the staff of the Company and the lockdown of Shenzhen in mid of March. The unaudited annual results contained herein have not been agreed with the Company's auditor as required under Rule 13.49(2) of the Listing Rules. The unaudited annual results of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results of the Group for the year ended 31 December 2021 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein. Upon completion of audit procedures, the Company will publish the 2021 audited annual results as agreed with Auditor as soon as practicable.

PUBLICATION OF 2021 ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2021 and the notice of the AGM 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.

The financial information contained herein in respect of the annual results of the Group has not been audited and has not been agreed with the auditor of the Company. Shareholders and potential investors of the Company are advised to exercise caution when dealing in shares of the Company.

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

Hong Kong, 31 March 2022

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.