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C CHENG HOLDINGS LIMITED

思城控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1486)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

BUSINESS HIGHLIGHTS

- Total new and supplementary contracts secured during the year totaled HK\$874,182,000 (2021: HK\$1,077,446,000), representing a decrease of 18.9%; and
- Remaining contract sums totaled HK\$1,703,603,000 (2021: HK\$1,823,032,000), representing a decrease of 6.6%.

FINANCIAL HIGHLIGHTS

- Revenue of the Group was HK\$682,667,000 (2021: HK\$861,990,000), representing a decrease of 20.8%;
- Loss of the Group for the year was HK\$11,136,000 (2021: profit of HK\$4,505,000);
- Basic loss per share based on weighted average number of ordinary shares of 288,260,780 (2021: 288,260,780) in issue was HK6.52 cents (2021: basic loss per share of HK0.40 cents);
- Diluted loss per share based on weighted average number of ordinary shares of 288,260,780 (2021: 288,661,051) in issue was HK6.52 cents (2021: diluted loss per share of HK0.39 cents); and
- No final dividend was proposed (2021: Nil).

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 2022, reviewed by the audit committee of the Company (the “**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 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	682,667	861,990
Cost of services		<u>(574,240)</u>	<u>(699,260)</u>
Gross profit		108,427	162,730
Other income and gains, net	4	15,258	12,730
Loss on fair value changes of financial assets at fair value through profit or loss		(2,849)	(550)
Impairment losses on financial and contract assets, net	6	(5,100)	(5,207)
Administrative expenses		(120,547)	(154,278)
Share of loss of a joint venture		(8)	(490)
Share of loss of an associate		(168)	(12)
Finance costs	5	<u>(4,914)</u>	<u>(5,160)</u>
(Loss)/profit before tax	6	(9,901)	9,763
Income tax expense	7	<u>(1,235)</u>	<u>(5,258)</u>
(Loss)/profit for the year		<u>(11,136)</u>	<u>4,505</u>
Other comprehensive (loss)/income			
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<u>(18,024)</u>	<u>8,439</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(18,024)</u>	<u>8,439</u>
Total comprehensive (loss)/income for the year		<u>(29,160)</u>	<u>12,944</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(18,797)	(1,139)
Non-controlling interests		<u>7,661</u>	<u>5,644</u>
		<u>(11,136)</u>	<u>4,505</u>
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(36,585)	7,132
Non-controlling interests		<u>7,425</u>	<u>5,812</u>
		<u>(29,160)</u>	<u>12,944</u>
Loss per share attributable to owners of the Company			
Basic (<i>HK cents</i>)	8	<u>(6.52)</u>	<u>(0.40)</u>
Diluted (<i>HK cents</i>)	8	<u>(6.52)</u>	<u>(0.39)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		72,771	124,798
Goodwill		15,287	15,655
Intangible assets		10,230	11,434
Investment in a joint venture		3,822	4,156
Investment in an associate		164	355
Prepayments and deposits		11,260	11,870
Deferred tax assets		8,364	6,726
		<hr/>	<hr/>
Total non-current assets		121,898	174,994
Current assets			
Trade receivables	10	213,851	228,442
Contract assets		268,121	226,778
Financial assets at fair value through profit or loss		11,974	17,203
Prepayments, deposits, other receivables and other assets		57,490	57,979
Cash and bank balances		160,869	198,128
		<hr/>	<hr/>
Total current assets		712,305	728,530
Current liabilities			
Trade payables	11	15,772	9,913
Other payables and accruals		42,178	78,401
Contract liabilities		116,601	103,478
Interest-bearing bank borrowings		79,910	67,671
Other interest-bearing borrowings		3,995	6,146
Lease liabilities		27,805	35,257
Tax payable		4,163	4,680
		<hr/>	<hr/>
Total current liabilities		290,424	305,546
Net current assets		<hr/>	<hr/>
		421,881	422,984
Total assets less current liabilities		<hr/>	<hr/>
		543,779	597,978
Non-current liabilities			
Other interest-bearing borrowings		2,054	2,508
Provision		2,160	–
Lease liabilities		33,503	72,169
Deferred tax liabilities		440	1,249
		<hr/>	<hr/>
Total non-current liabilities		38,157	75,926
Net assets		<hr/>	<hr/>
		505,622	522,052
Equity			
Issued capital		2,883	2,883
Reserves		435,299	466,029
		<hr/>	<hr/>
Equity attributable to owners of the Company		438,182	468,912
Non-controlling interests		67,440	53,140
		<hr/>	<hr/>
Total equity		<hr/>	<hr/>
		505,622	522,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Contractual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment 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, 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 (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that certain other income, share of loss of a joint venture, share of loss of an associate, loss on fair value changes of financial assets at fair value through profit or loss, 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 2022

	Comprehensive architectural services HK\$'000	BIM services HK\$'000	Total HK\$'000
Segment revenue			
<i>Timing of revenue recognition</i>			
Sale of IT products at point in time	–	23,982	23,982
Services transferred over time	<u>533,759</u>	<u>124,926</u>	<u>658,685</u>
Revenue from contracts with customers	<u><u>533,759</u></u>	<u><u>148,908</u></u>	<u><u>682,667</u></u>
<i>Type of goods or services</i>			
Architecture services	496,661	–	496,661
Landscape architecture, town planning, interior design and heritage conservation services	37,098	–	37,098
BIM services	–	124,926	124,926
Sale of IT products	<u>–</u>	<u>23,982</u>	<u>23,982</u>
Revenue from contracts with customers	533,759	148,908	682,667
Intersegment revenue	<u>–</u>	<u>4,592</u>	<u>4,592</u>
Segment revenue	533,759	153,500	687,259
Reconciliation:			
Elimination of intersegment revenue			<u>(4,592)</u>
External revenue			<u><u>682,667</u></u>
Segment results	<u><u>(22,717)</u></u>	<u><u>20,946</u></u>	<u><u>(1,771)</u></u>
Reconciliation:			
Unallocated other income			573
Share of loss of a joint venture			(8)
Share of loss of an associate			(168)
Loss on fair value changes of financial assets at fair value through profit or loss			(2,849)
Share option expenses recognised			(57)
Other unallocated corporate expenses			<u>(5,621)</u>
Loss before tax			<u><u>(9,901)</u></u>

For the year ended 31 December 2021

	Comprehensive architectural services <i>HK\$'000</i>	BIM services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
<i>Timing of revenue recognition</i>			
Sale of IT products at point in time	–	11,518	11,518
Services transferred over time	<u>735,177</u>	<u>115,295</u>	<u>850,472</u>
Revenue from contracts with customers	<u><u>735,177</u></u>	<u><u>126,813</u></u>	<u><u>861,990</u></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	<u>–</u>	<u>11,518</u>	<u>11,518</u>
Revenue from contracts with customers	735,177	126,813	861,990
Intersegment revenue	<u>–</u>	<u>9,281</u>	<u>9,281</u>
Segment revenue	735,177	136,094	871,271
Reconciliation:			
Elimination of intersegment revenue			<u>(9,281)</u>
External revenue			<u><u>861,990</u></u>
Segment results	<u><u>3,993</u></u>	<u><u>16,029</u></u>	<u><u>20,022</u></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			<u>(4,399)</u>
Profit before tax			<u><u>9,763</u></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 financial instruments, deferred tax assets, investment in a joint venture and investment in an associate.

	Revenue from external customers		Non-current assets	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Geographical markets</i>				
Mainland China	371,758	570,798	37,249	70,458
Hong Kong	277,421	261,751	62,018	90,487
Macau	750	3,057	–	–
Others	32,738	26,384	1,798	2,812
	682,667	861,990	101,065	163,757

Information about a major customer

During the year ended 31 December 2022 and 31 December 2021, there is no customer with which revenue from sales accounted for 10% or more of the total revenue of the Group.

4. OTHER INCOME AND GAINS, NET

	2022	2021
	HK\$'000	HK\$'000
An analysis of the other income and gains, net is as follow:		
Other income		
Bank interest income	1,306	1,480
Government subsidies	12,749	2,418
Refund of Value Added Tax in Mainland China	894	1,498
Rent concession related to Covid-19	118	131
Others	1,916	3,178
	16,983	8,705
(Loss)/gains, net		
Loss on disposal/written off of items of property, plant and equipment	(535)	(1,138)
Gain on surrender of leases	806	3,253
Foreign exchange differences, net	(1,690)	1,910
Others	(306)	–
	(1,725)	4,025
	15,258	12,730

5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on:		
– Bank borrowings	2,389	1,440
– Lease liabilities	2,365	3,613
– Others	160	107
	<u>4,914</u>	<u>5,160</u>

6. (LOSS)/PROFIT BEFORE TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Cost of sale of IT products	16,709	9,949
Cost of services rendered	557,531	689,311
Depreciation of property, plant and equipment	41,975	57,354
Amortisation of intangible assets ¹	2,700	2,109
Auditor's remuneration (including remuneration for non-audit services)	1,500	2,306
Loss on disposal/written off of property, plant and equipment	535	1,138
Gain on surrender of leases	(806)	(3,253)
Staff costs including directors and chief executives' remuneration		
– Salaries, allowances and other benefits	443,666	534,432
– Equity-settled share-based payments	6,264	15,307
– Contributions to retirement benefit schemes	21,585	23,479
	<u>471,515</u>	<u>573,218</u>
Impairment recognised on:		
– Trade receivables, net	2,422	3,909
– Contract assets, net	2,678	1,298
	<u>5,100</u>	<u>5,207</u>

Note:

(1) Included in cost of services.

7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	2,682	3,031
The PRC Corporate Income Tax (“CIT”)	1,000	4,094
Under provision of Hong Kong Profits Tax in prior years	—	255
	<u>3,682</u>	<u>7,380</u>
Deferred tax	<u>(2,447)</u>	<u>(2,122)</u>
	<u><u>1,235</u></u>	<u><u>5,258</u></u>

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss:		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	<u><u>(18,797)</u></u>	<u><u>(1,139)</u></u>

Number of Shares

	2022	2021
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basis loss per share calculation	288,260,780	288,260,780
Effect of dilution – weighted average number of ordinary shares:		
Share options	—	400,271
	<u><u>288,260,780</u></u>	<u><u>288,661,051</u></u>

The computation of diluted loss per share for the year ended 31 December 2022 does not assume the exercise of share options granted by the Company because this will give an anti-dilutive effect.

9. DIVIDENDS

No final dividend was proposed nor paid by the Company in respect of the years ended 31 December 2022 and 2021.

10. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bills receivable	4,097	10,150
Trade receivables	<u>223,000</u>	<u>230,075</u>
	227,097	240,225
Impairment	<u>(13,246)</u>	<u>(11,783)</u>
	<u><u>213,851</u></u>	<u><u>228,442</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unbilled receivable (<i>Note</i>)	64,131	62,346
Within 30 days	54,445	59,491
Over 30 days and within 90 days	21,753	53,226
Over 90 days and within 180 days	29,468	23,075
Over 180 days	<u>44,054</u>	<u>30,304</u>
	<u><u>213,851</u></u>	<u><u>228,442</u></u>

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

11. 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:

	2022 HK\$'000	2021 <i>HK\$'000</i>
Within 30 days	5,324	4,164
Over 30 days and within 90 days	4,869	1,463
Over 90 days	5,579	4,286
	15,772	9,913

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.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Moving toward Net Zero

The world is moving in the right direction to the common target of achieving carbon neutrality, a crucial factor to safeguard the long-term sustainable growth of our planet. The architecture industry is a major player in the pathway to combat climate change and other challenges carbon emissions may pose. In Hong Kong, a subtropical high-density city, commercial buildings take up the highest percentage of electricity usage and this is exacerbated by aging building stock amid the transition to carbon neutrality of the City by 2050.

To that end, net zero is at the heart of every design and operation in the portfolio of the Group as we thrive. We have been exploring ways to engage in the global campaign by enhancing our expertise in the field and providing our clients with sound guidelines and strategies. As part of our commitment, the Group focuses on resilient design as a vital manifest of creating low- or net-zero-energy buildings, in line with the national vision of hitting peak carbon dioxide emission by 2030 and carbon neutrality by 2060 in Mainland China, while we work on a human-oriented built environment.

Zero-energy buildings generate as much energy on-site as they consume, through renewable sources, yearly. We constantly leverage the resilience of buildings and optimize construction models to improve the human living experience and address uncertainties that may occur in the future. We are striving to ingrain sustainability concepts into more of our practices, such as specifying and utilizing renewable and prefabricated building materials, avoiding excessive sunlight exposure and maximizing shading, as well as constructing smart building systems with sensors and a responsive environment. Building a smart, healthy, eco-friendly city is pivotal in our strategies. We provide intelligent solutions for clients and are diving into the field of centralized, multi-functional urban spaces and green networks to avoid jeopardizing ecosystems and historical heritage due to urban expansion.

Steady Growth in Guangdong – Hong Kong – Macao Greater Bay Area (“GBA”)

GBA is the integration of the nine largest cities in Guangdong Province with Hong Kong and Macau to establish a globally recognised economic hub with a diverse industry mix. Being the most open and international city in the GBA, Hong Kong is known for its status as international financial, transportation, trade centres and aviation hub as well as its renowned professional services. Enjoying the dual advantages of "one country, two systems", Hong Kong plays an important role in the GBA development. GBA is a region of strategic importance in the Mainland China, has been one of our largest markets since 2002 when LWK + PARTNERS’ first mainland office opened in Shenzhen, followed by the launch of LWK + PARTNERS GBA studio in Guangzhou years ago. Professionals who master industrial development knowledge in Hong Kong and Mainland China with an international vision are commissioned to complement projects in the area. LWK + PARTNERS Shenzhen office moved to Qianhai years ago in response to our commitment to reshaping prime regions including Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.

The WA100 announced in January 2023, a respected annual survey of leading architecture practices worldwide by UK-based architectural magazine Building Design, recognized LWK + PARTNERS’ growth in the area in 2022. The report emphasized over half of our workload is in GBA and overviewed its exemplary projects including the iCity retail and workplace development in Zhuhai and the Benenden School campus in Guangzhou. One of the director of the Group was among the first batch of engineers from Hong Kong and Macau to be awarded professional titles by Nansha District in Guangzhou. He was accredited as Professorate Senior, the highest rank in the Mainland system.

Gaining Traction in the Expanding Digital-Build Market

Digital transformation in the property development and management market, or digital build, has rapidly expanded. As the industry pivots to modernize its supply chain and working methods to cut carbon, improve site safety, and enhance building quality, such market sentiments advance the wide adoption of digital technologies to drive a greener, smarter, and safer development path.

In the 13th Five-Year Plan period (2016-2020), construction sector in Mainland China expanded by 5.1% annually through improved productivity, accounting for over 6.9% of GDP. Followed by the 14th Five-Year Plan (2021-2025), the building industry is set to accelerate the conversion of Building Information Modelling (“BIM”), digital twin, big data, cloud computing, and Artificial Intelligence (“AI”) to upgrade a new development paradigm. Project productivity will improve throughout the construction process, and the digital economy’s added value is forecasted to be 10% of GDP in 2025.

In response to the growing digital-build market, isBIM has pioneered developing its proprietary SaaS product, JARVIS, which helps digitalize the whole building process from start to finish. Establishing a single source of truth, JARVIS is an all-in-one project management suite that encompasses a wide range of digital-build modules, including an ISO-19650 certified Common Data Environment (“CDE”), the Eagle Eye Suite - a remote site supervision toolkit, Digital Works Supervision System (“DWSS”), and more.

Specifically, the Group has made remarkable progress in tapping and leading the digital-build market in the GBA. Amid the challenges posed by COVID-19-related lockdowns and travel restrictions, JARVIS demonstrates a strong product-market fit, which helps local governments and enterprises realize the benefits of smart construction.

On the international stage, isBIM’s bestselling product, JARVIS Eagle Eye Suite, has proven to enhance project management efficiency while pushing through Environmental, Social, and Governance (“ESG”) Values. In 2022, JARVIS Eagle Eye Suite was nominated for the World Summit Awards (“WSA”) of the United Nations, being recognized as the best digital innovation from China for “Smart Settlements & Urbanization”. Further afield, isBIM was awarded the “Best BIM Organization 2022” and “BIM Training and R&D Organization 2022” by the Development Bureau of the Government of the Hong Kong Special Administrative Region and the Construction Industry Council (“CIC”), showing the unwavering commitment to excellence of isBIM.

Global Recognition

The course of 2022 witnessed LWK + PARTNERS receive a broad array of prestigious accolades and top rankings, underpinning our role in fostering low-carbon development, human-oriented experience in architecture, and supreme innovation in design.

LWK + PARTNERS remained among the world’s top 100 architecture firms in the WA100 announced in January 2023, ranked as the world’s 29th largest architecture firm, the 7th in retail and the 8th in mixed-use. The BCI Asia Awards 2022 crowned us as one of the top 10 architecture firms in Hong Kong for the 11th time. The renowned awards focus on the total value of a firm’s projects under construction in 2021 and its sustainability efforts. We kicked off the year by earning international recognition at the MUSE Design Awards 2022 won by 13 projects. This international award evaluates a project’s ability to inspire new thinking or redefine boundaries.

Our projects notched up other notable successes in Mainland China and abroad, covering special mention in the Architizer A+ Awards 2022 in the Unbuilt – Multi-Unit Housing (L >10 Floors) category; five winners at the International Property Awards-Asia Pacific Property Awards 2022-2023, and one Gold, two Silver, and three Merit Awards at the 8th CREDAWARD 2021-2022. Further, we celebrated our victory in recognitions including first honors in the 9th CBDA Decoration Design Award organized by China Building Decoration Association; the Best Master Planning Consultancy KSA 2022 at the International Business Magazine Awards; one Winner and three Honorable Mentions at the Architecture Master Prize; the Global RLI Awards 2022; the 2022 Muse Design Awards Season 2; the German Design Award 2022, and the 6th ELA International Landscape Award 2022. Also among our collection of considerable trophies was the 16th International Design Awards 2022, one of the industry's most respected global design awards. Six projects were presented with honors. We also tasted success at the competition for the OCT Dongguan Songshan Lake Yuehe Project where our design proposal of developing an immersive theme park with a unique cultural identity combining urban life and lake ecology impressed judges.

LWK + PARTNERS has always been diving into innovative thinking and mind-stretching works and supporting talent and corporates with the potential to change the world, as we thrive. Experts from our global studios joined the jury of international and domestic architecture awards, including the Build4Asia Awards 2022, the CTBUH Annual Awards in the Best Tall Mixed-Use Building category and the 2022 SKYHIVE Skyscraper Challenge etc..

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\$533,759,000 in segment revenue, representing a decrease of 27.4%. We secured 94 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$744,758,000, as compared with HK\$915,971,000 in 2021, representing a decrease of 18.7%. As at 31 December 2022, the Group's segment had remaining contract sums of approximately HK\$1,523,790,000, decreased by 7.0% as compared with HK\$1,638,905,000 in 2021. As our main stream of practice, our traditional sector in architecture contributed approximately 93.0% of the revenue to our comprehensive architectural services.

The exponential growth in the property market for two decades in Mainland China contributed a key GDP growth driver until mid of 2021. The property sales abruptly slumped amid tighter government policies and the unprecedented wave of defaults and stalled projects has hit over-leveraged property developers in 2022. Additionally, the persistent outbreaks of the pandemic caused lockdowns and stringent quarantine measures across different cities in Mainland China during the year lead to dramatically change in the dynamics of the property market in Mainland China, together with the continuous depreciation in RMB, have seriously impacted comprehensive architectural business of the Group.

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. Ride on the recent rapid technology focused development in the property market, isBIM recorded continuous growth in revenue.

During the year, the segment revenue of isBIM amounted to HK\$153,500,000 when compared to segment revenue of HK\$136,094,000 in 2021, represented an increase of 12.8%. isBIM successfully secured 170 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$129,424,000, representing a decrease of 19.8% when compared to HK\$161,475,000 of last year. Remaining contract sum as at 31 December 2022 was approximately HK\$179,813,000, decreased by 2.3% as compared with HK\$184,127,000 in 2021.

With the self developed BIM data management platform “JARVIS”, isBIM successfully extended its business reach from BIM consultancy services to SaaS platform services. The digital platform allow customers to manage the whole life cycle of their property project, creating new business and growth engine for isBIM group.

FINANCIAL OVERVIEW

Revenue

During the year, the revenue of the Group was HK\$682,667,000, compared with that of HK\$861,990,000 in 2021, representing a decrease of 20.8%. Despite of the relaxation of COVID-19 restrictions in Mainland China in late December, the persistent outbreaks of the pandemic caused lockdowns and stringent quarantine measures across different cities in Mainland China, led to extraordinary disruptions to the business activities of the Group and adversely affected the pace and progress of the projects of the Group. During the year, with the adverse impact by abovementioned property market situation as well as the continuous depreciation in RMB, the revenue from Mainland China was decreased by HK\$199,040,000, representing 34.9% when compared with last year.

Cost of services

Cost of services for the year amounted to HK\$574,240,000, when compared with that of HK\$699,260,000 in 2021, representing a decrease of 17.9%. Decrease in current year was mainly represented by the cost reduction of the operation of the Group in Mainland China. The Group reduced the professional team in response to the downturn in the property market in Mainland China.

Gross profit and gross profit margin

Gross profit for the year amounted to HK\$108,427,000, decreased by 33.4% when compared with 2021. The decrease in gross profit margin during the year was due to the suffering of loss in productivity from the temporary operation closures and lockdowns at certain premises of the Group and project sites in Mainland China due to the widespread outbreak of the pandemic as well as the delay in progress of projects due to the general credits tightening measures imposed by relevant government authorities and financial institutions, which increased the pressure on the liquidity of capital to the property developers. With the recent relaxation of COVID-19 restrictions as well as the releasing of credits tightening measures by the relevant authorities, it was expected that the profit margin will able to resume to normal in the coming future.

Administrative expenses

Administrative expenses for the year amounted to HK\$120,547,000, comparing with the corresponding period of HK\$154,278,000, representing a decrease of 21.9%. The decrease was mainly due to the decrease in staff cost including equity-settled share-based payments and headcount for the management and administrative support.

Loss for the year

Loss for the year was HK\$11,136,000, compared with profit of HK\$4,505,000 in 2021.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Current assets	712,305	728,530
Current liabilities	290,424	305,546
Current ratio	<u>2.45</u>	<u>2.38</u>

The current ratio of the Group at 31 December 2022 was 2.45 times as compared to that of 2.38 times at 31 December 2021. The increase in current ratio in current year was mainly resulted from the increase in contract assets due to the enlarged contract work in progress which have not been issued billings during the year and the decrease in other payable and accruals contributed by the significant decrease in annual bonus for 2022.

As at 31 December 2022, the Group had total bank balances and cash of HK\$160,869,000 (2021: HK\$198,128,000). The unutilized banking facility was HK\$84,000,000 (2021: HK\$58,000,000) as at 31 December 2022. The Group is having sufficient funding for future expansion and merger and acquisition plans.

As at 31 December 2022, the gearing ratio of the Group was 17.0% (represented by unsecured bank borrowings and other interest-bearing borrowings divided by total equity) (as at 31 December 2021: 14.6%).

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

The reopening of economic, trade, and cultural exchanges between Hong Kong and the world presents us with abundant market possibilities ahead. The Group will continue embracing opportunities to enhance our role in facilitating the green, smart development of the architecture industry in our key markets across China, Southeast Asia and the Middle East and North Africa (“MENA”). As we extend our market in the GBA, we will progress in leading the digital-build and green development, enrich our portfolio, and stimulate further business growth in Mainland China.

We expect to leverage our expertise to create more sustainable benefits for our stakeholders and strengthen business operations and industry influence to provide customised services for our clients.

Deepening digital transformation will still be our priority as we strive toward modernised working modes in the pursuit of a greener world. We reaffirm our ambition to pioneer in developing advanced projects to realize smart construction while showing unwavering commitment to excellence of the Group.

Carbon neutrality will play an essential role while we embed the resilience standard in buildings and boost the living experience for people by providing a sustainable built environment. Our professionals will continue researching eco-friendly building materials and modes and solidifying our strategic ties with academic institutions including Shenzhen University for knowledge exchanges and academia-industry collaborations.

Overall, the Group will be steadfast to accelerate the sustainable transformation globally through our design, invest in future-oriented projects despite the challenging market and remain optimistic to realise our next phase of growth amid uncertainties.

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) were approximately HK\$145.8 million.

On 31 March 2022, the Board resolved to change the use of the remaining unutilized net proceeds (“**Net Proceeds**”) 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**”). For details of such change, please refer to the announcement of the Company dated 14 April 2022. The below table sets out the use of the Net Proceeds and the unutilized amount as at 31 December 2022:

	Planned use of Net Proceeds <i>HK\$ million</i>	Revised use of the Net Proceeds <i>HK\$ million</i>	Actual use of Net Proceeds up to 31 December 2022 <i>HK\$ million</i>	Unutilized use of Net Proceeds as at 31 December 2022 <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	42.5	–
To expand the offices of the Group in order to maximise the benefits from the established and expanding client network	13.0	13.0	13.0	–
To enhance the Company’s information technology infrastructure and working capital	6.0	60.3	34.7	25.6
For potential investment opportunities and establishment of business including but not limited to Smart City business	–	30.0	7.6	22.4
	<u>145.8</u>	<u>145.8</u>	<u>97.8</u>	<u>48.0</u>

Note:

- (a) It is expected that the unutilized Net Proceeds to be fully utilised to be extended till the end of 2024 in view of the current market circumstances and is subject to change depending on the market conditions and developments at the relevant times.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2022. 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 2022, 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 2022, 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 2022, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2022, 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 2022 (2021: Nil).

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2022 (2021: Nil).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group provides guarantees amounted to HK\$6,551,000 (2021: HK\$4,136,000) to secure services performance bonds issued by a bank on behalf of performance obligation on certain projects of a subsidiary.

COMMITMENTS

As at 31 December 2022 and 2021, 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 2022, the Group employed around 1,130 (2021: around 1,450) 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 Mainland China, medical coverage, insurance, training and development programs and options that were granted under the share option scheme approved by the shareholders of the Company (“**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 2022.

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 2022.

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 2022, 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 2022 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 2022.

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 THE PRELIMINARY ANNOUNCEMENT OF RESULTS BY INDEPENDENT AUDITOR

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 2022 of the Group as set out in this announcement have been agreed by the auditor of the Company, to the amounts set out in the draft 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 and consequently no opinion or assurance conclusion has been expressed by the auditor of the Company on the preliminary announcement of the Company.

PUBLICATION OF 2022 ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2022 and the notice of the annual general meeting 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, 29 March 2023

As at the date of this announcement, the executive Directors are Mr. Liang Ronald, Mr. Liu Jiang Tao, 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.