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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 2020

BUSINESS HIGHLIGHTS

- Total new and supplementary contracts secured during the year totaled HK\$983,657,000 (2019: HK\$841,851,000), representing an increase of 16.8%; and
- Remaining contract sums totaled HK\$1,733,404,000 (2019: HK\$1,484,424,000), representing an increase of 16.8%.

FINANCIAL HIGHLIGHTS

- Revenue of the Group was HK\$717,172,000 (2019: HK\$685,091,000), representing an increase of 4.7%;
- The profit for the year was HK\$14,243,000, as compared with the loss of HK\$10,582,000 in previous year.
- Basic profit per share based on weighted average number of ordinary shares of 288,260,780 (2019: 288,260,780) in issue was HK3.29 cents (2019: basic loss per share of HK4.06 cents);
- Diluted profit per share based on weighted average number of ordinary shares of 288,260,780 (2019: 288,260,780) in issue was HK3.29 cents (diluted loss per share of 2019: HK4.06 cents); and
- No final dividend was proposed (2019: 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 2020, 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 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	3	717,172	685,091
Cost of services		(583,825)	(538,413)
Gross profit		133,347	146,678
Other income and losses, net	4	32,756	4,778
Gain on disposal of a debt investment at fair value through other comprehensive income		–	308
Gain on fair value changes at financial assets at fair value through profit or loss		841	1,929
Impairment losses on financial and contract assets, net	7	(1,879)	(1,555)
Impairment losses on goodwill and intangible assets	6	(289)	(19,087)
Administrative expenses		(137,359)	(127,263)
Share of loss of a joint venture		(675)	(31)
Finance costs	5	(7,443)	(7,427)
Profit/(loss) before tax	7	19,299	(1,670)
Income tax expense	8	(5,056)	(8,912)
Profit/(loss) for the year		14,243	(10,582)
Other comprehensive income/(loss)			
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		10,995	(2,685)
Debt investment at fair value through other comprehensive income:			
Reclassification adjustments for gains included in profit or loss			
– Gain on disposal		–	2,520
Other comprehensive income/(loss) for the year		10,995	(165)
Total comprehensive income/(loss) for the year		25,238	(10,747)
Profit/(loss) for the year attributable to:			
Owners of the Company		9,498	(11,717)
Non-controlling interests		4,745	1,135
		14,243	(10,582)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		19,912	(11,763)
Non-controlling interests		5,326	1,016
		25,238	(10,747)
Earnings/(loss) per share attributable to owners of the Company			
Basic (<i>HK cents</i>)	9	3.29	(4.06)
Diluted (<i>HK cents</i>)	9	3.29	(4.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		134,891	99,157
Goodwill		15,505	14,743
Intangible assets		10,908	9,539
Investment in a joint venture		4,506	4,969
Prepayments and deposits		10,406	11,169
Deferred tax assets		4,124	2,864
Total non-current assets		180,340	142,441
Current assets			
Trade receivables	11	224,958	218,893
Contract assets		182,242	160,065
Financial assets at fair value through profit or loss		28,951	–
Prepayments, deposits, other receivables and other assets		39,366	9,810
Cash and bank balances		228,412	268,193
Total current assets		703,929	656,961
Current liabilities			
Trade payables	12	18,748	5,446
Other payables and accruals		89,172	67,197
Contract liabilities		101,136	90,398
Interest-bearing bank borrowings		58,519	110,317
Other interest-bearing borrowings		465	–
Lease liabilities		42,321	27,655
Due to a joint venture		–	5,000
Tax payable		1,363	2,825
Total current liabilities		311,724	308,838
Net current assets		392,205	348,123
Total assets less current liabilities		572,545	490,564
Non-current liabilities			
Other interest-bearing borrowings		1,598	–
Lease liabilities		77,104	41,633
Deferred tax liabilities		769	1,741
Total non-current liabilities		79,471	43,374
Net assets		493,074	447,190
Equity			
Issued capital		2,883	2,883
Reserves		443,590	410,758
Equity attributable to owners of the Company		446,473	413,641
Non-controlling interests		46,601	33,549
Total equity		493,074	447,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) Conceptual Framework for Financial Reporting 2018 (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services rendered and the Group has two reportable operating segments as follows:

- (a) the comprehensive architectural services segment engages in provision of architecture, landscape architecture, town planning, interior design and heritage conservation services;
- (b) the BIM services segment engages in provision of BIM consultancy services, BIM professional training services and BIM software developing.

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

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

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

For the year ended 31 December 2020

	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	–	7,731	7,731
Services transferred over time	<u>641,883</u>	<u>67,558</u>	<u>709,441</u>
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	<u>–</u>	<u>7,731</u>	<u>7,731</u>
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>	<u>26,350</u>
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)
Other unallocated corporate expenses			<u>(8,253)</u>
Profit before tax			<u>19,299</u>

For the year ended 31 December 2019

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

	Revenue from external customers		Non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Geographical markets</i>				
Hong Kong	204,888	201,026	98,923	54,760
The PRC	486,004	454,545	65,551	72,972
Macau	1,900	6,981	–	–
Others	24,380	22,539	7,236	6,876
	<u>717,172</u>	<u>685,091</u>	<u>171,710</u>	<u>134,608</u>

Information about a major customer

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	<u>N/A ⁽²⁾</u>	<u>72,914</u>

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

⁽²⁾ During the year ended 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 LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
An analysis on the other income and losses, net is as follow:		
Other Income		
Bank interest income	2,025	1,477
Other interest income on a debt investment at fair value through other comprehensive income	–	608
Other interest income on financial assets at fair value through profit or loss	–	1,752
Government subsidies	23,177	–
Refund of PRC Value Added Tax	1,624	937
Others	4,092	621
	<u>30,918</u>	<u>5,395</u>
Gain/(losses), net		
Loss on disposal/written off of items of property, plant and equipment	(2,393)	(9)
Foreign exchange differences, net	4,253	(602)
Others	(22)	(6)
	<u>1,838</u>	<u>(617)</u>
	<u>32,756</u>	<u>4,778</u>

5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on:		
– Bank borrowings	2,809	3,741
– Lease liabilities	4,634	3,686
	<u>7,443</u>	<u>7,427</u>

6. IMPAIRMENT LOSSES ON GOODWILL AND INTANGIBLE ASSETS

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

In June 2019, the Group ceased the operation of an underperforming business unit, Cfu Come Limited (“Cfu Come”). Accordingly, impairment losses of goodwill and intangible assets of HK\$16,631,000 and HK\$2,456,000, respectively in relation to Cfu Come were fully provided and charged to the profit or loss during the year ended 31 December 2019.

7. PROFIT/(LOSS) BEFORE TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) before tax has been arrived at after charging:		
Cost of sale of IT products	7,257	8,550
Cost of services rendered	576,568	529,863
Depreciation of property, plant and equipment	53,629	53,843
Amortisation of intangible assets ¹	1,610	646
Auditor's remuneration (including remuneration for non-audit services)	2,250	2,194
Loss on disposal/written off of property, plant and equipment	2,393	9
Staff costs including directors and chief executives' remuneration		
– Salaries, allowances and other benefits	460,726	431,212
– Equity-settled share-based payments	13,500	11,439
– Contributions to retirement benefit schemes	14,753	16,152
	488,979	458,803
Impairment recognised on:		
– Trade receivables, net	1,669	1,425
– Contract assets, net	210	130
	1,879	1,555

Note:

(1) Included in cost of services.

8. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	1,554	1,639
The PRC Corporate Income Tax ("CIT")	6,023	9,792
Overprovision of Hong Kong Profits Tax in prior years	<u>(273)</u>	<u>(149)</u>
	7,304	11,282
PRC withholding tax	–	1,136
Deferred tax	<u>(2,248)</u>	<u>(3,506)</u>
	<u><u>5,056</u></u>	<u><u>8,912</u></u>

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit (2019: loss) for the year attributable to owners of the Company of HK\$9,498,000 (2019: loss of HK\$11,717,000) and the weighted average number of ordinary shares of 288,260,780 (2019: 288,260,780) in issue during the year.

The computation of diluted earnings/(loss) per share for the years ended 31 December 2020 and 31 December 2019 does not assume the exercise of certain share options granted by the Company because the relevant exercise prices of those options were higher than the relevant average market prices of the shares of the Company for the years ended 31 December 2020 and 2019.

10. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 final dividend of HK2.0 cents per ordinary share	<u>–</u>	<u>5,765</u>

11. TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Bills receivables	8,824	7,812
Trade receivables	<u>223,721</u>	<u>216,999</u>
	232,545	224,811
Impairment	<u>(7,587)</u>	<u>(5,918)</u>
	<u>224,958</u>	<u>218,893</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:

	2020 HK\$'000	2019 HK\$'000
Unbilled receivable (<i>Note</i>)	82,679	79,513
Within 30 days	63,623	61,488
Over 30 days and within 90 days	43,725	37,482
Over 90 days and within 180 days	18,482	15,985
Over 180 days	<u>16,449</u>	<u>24,425</u>
	<u>224,958</u>	<u>218,893</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	16,775	4,635
Over 30 days and within 90 days	1,096	15
Over 90 days	877	796
	<u>18,748</u>	<u>5,446</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. EVENTS AFTER THE REPORTING PERIOD

On 25 March 2021, 梁黃顧建築設計(深圳)有限公司, an indirect wholly-owned subsidiary of the Company entered into tenancy agreements with a landlord independent to the Group for leasing certain office properties for a term of five year commencing from 1 April 2021 and ending on 31 March 2026 as its office premises in Shenzhen, the PRC. Accordingly, right-of-use asset and lease liabilities for an amount of approximately HK\$34 million and HK\$33 million, respectively, are expected to be recognised at its initial recognition. Details of the transaction is set out in the announcement published by the Company dated 25 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Resilient Business

The Group saw healthy, robust growth in 2020 despite unprecedentedly stiff headwinds brought by COVID-19. As an integrated business group providing comprehensive built environment solutions, we were able to stand strong and resilient in the face of global economic slowdown and cement our position as a market leader.

Our traditional architectural business, which is operating on an increasingly global scale, upheld its unique advantages and much needed resilience with vigorous cross-border collaboration and knowledge sharing between offices in different locations.

During the year, while maintaining market leadership in existing architecture and design business, the Group also stepped up its digitalisation capabilities as isBIM Limited (“isBIM”), one of the Group’s major subsidiaries, strengthened its edge by acquiring an IT solutions company while expanding its operating capacity in the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”).

Overall, synergy between our new and existing businesses will lead to greater flexibility, added values and sustainability for the Group. It also unlocks myriad collaboration opportunities with potential new partners across sectors and around the world.

Growing Influence in GBA

Despite the pandemic, urbanisation raged on across the world and the Chinese economy was the first to rebound. The People’s Republic of China (the “PRC”) remains our key market and opportunities are rising particularly from the GBA, a major focus of urban growth and a region of strategic importance in relation to the PRC’s national development planning.

One significant progress during the year was our joint-venture project in Guangzhou's Baiyun district, the city's future design hub. Baiyun is a key transportation hub of the region, with plenty of infrastructural and building projects taking shape. The joint-venture project serves as a permanent property for setting up our new operation centre, which will help us materialise the wealth of opportunities brought by the city's urbanisation. In addition, Shenzhen Qianhai Jarvis BIM Limited, a subsidiary under our building information modeling ("BIM") arm isBIM, boosted its market share in Guangdong and Guangxi as a specialist in construction digitalisation with the opening of a new branch.

With full-spectrum design capacities and sound footing for Integrated Project Delivery, the Group remains in a strong position to capture new opportunities from GBA's urban-scale projects and infrastructure. The growth momentum is expected to continue well into the future.

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 2018, the Development Bureau ("DEVB") announced the mandate of using BIM for Capital Works Projects in Hong Kong. In 2019, it revised the scope of mandatory BIM application and enhanced related requirements.

In 2020, DEVB further stated that all public works projects must adopt the Digital Works Supervision System ("DWSS") in phases.

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 site management, isBIM responded by developing "Jarvis Eagle Eye", a remote site management system which helps clients monitor site progress and troubleshoot without visiting in person. The system enjoyed warm reception from the market and is now adopted by clients in key cities of the PRC.

2020 also saw the acquisition of Accentrix Company Limited by isBIM to better integrate the Group's capabilities in architecture and IT for providing holistic one-stop digital transformation consultation and integrated platform services for the AEC industry. In the future, merger and acquisition will continue to be a key strategy for the Group to strengthen our business mainly in the construction industry's digitalisation.

isBIM actively promoted the adoption of Jarvis DWSS in construction projects during the year. Jarvis DWSS is a centralised portal for collecting project information and managing the workflows of site activities, so that engineering and management staff can stay informed of the real time progress and performance to enhance efficiency, safety and quality. Jarvis DWSS is supported by the Construction Innovation and Technology Fund run by the Construction Industry Council of Hong Kong.

Globally Recognised for Success and Excellence

Despite headwinds from COVID-19, the Group stayed committed to delivering the best buildings, designs and services with exceptional quality in 2020, which yielded heartening outcomes and widespread recognitions. We continue to be one of the top 100 architecture practices in the world, up five places from last year to 31st now according to the authoritative World Architecture 100 2021 report. We also rank the world's 8th in both residential and retail markets as well as 9th in mixed-use. The Group won a total of 75 awards across the world in the year.

LWK + PARTNERS was winner of The Global RLI Awards 2020, 14th International Design Awards 2020, MIPIM Asia Awards 2020, International Property Awards – Asia Pacific Property Awards 2020-2021 (including a prestigious 5-Star honour) and LIT Lighting Design Awards 2020. We remained one of the Top 10 Architects in the BCI Asia Awards.

In the PRC, the Group continued to lead the market and attained Architectural Design (Top 1) in Kinpan China Real Estate Product Powers and Architectural Design (Top 2) in the 15th Kinpan Awards 2020. We were named a Top Ten Private Enterprise for Survey and Design by Income in Guangdong 2019 by Guangdong Engineering Exploration & Design Association. Our projects were widely recognised in various awards including HKIA Annual Awards 2019/20, Quality Building Award 2020, The 6th CREDAWARD 2020, Mall China Golden Mall Awards 2020, GBE HOPSCA Awards 2020, GBE Real Estate Design Award 2021, 19th Shenzhen Excellent Engineering Exploration & Design Award and Autodesk Hong Kong BIM Awards 2020.

We are proud to share that 2020 saw a number of awards granted to individual colleagues across different studios, recognising their distinguished achievements on sustainability construction, BIM and design innovation. We trust that our dynamic, powerful workforce will continue to drive the Group only forward towards greater success.

BUSINESS REVIEW

Comprehensive Architectural Services

The Group aimed to strengthen its market position as one of the leading comprehensive architectural service providers in Hong Kong and the PRC. Amid the severe disruptions caused by COVID-19 in the property market, our comprehensive architectural business was experiencing a challenging year in this pandemic, the extraordinary disruptions to the business activities of the Group, as well as our client, hit hard to our operations in first half of 2020. While strong recovery is noted in second half of the year, our revenue as well as profit was severely affected.

During the year, our comprehensive architectural business contributed HK\$641,883,000 in segment revenue, representing an increase of 1.6%. We secured 272 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$852,081,000, as compared with HK\$757,923,000 in 2019, representing an increase of 12.4%. As at 31 December 2020, the Group's segment had remaining contract sums of approximately HK\$1,584,628,000, increased by 13.5% as compared with HK\$1,395,990,000 in 2019. As our main stream of practice, our traditional sector in architecture contributed approximately 88.0% of the revenue to our comprehensive architectural services.

BIM Services

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

The cloud based platform and its business nature make 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\$83,456,000 when compared to segment revenue of HK\$66,641,000 in 2019, represented an increase of 25.2%. isBIM successfully secured 137 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$131,576,000, representing an increase of 56.8% when compared to HK\$83,928,000 of last year. Remaining contract sum as at 31 December 2020 was approximately HK\$148,776,000, increased by 68.2% as compared with HK\$88,434,000 in 2019.

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

FINANCIAL OVERVIEW

Revenue

Despite of the record high contract on hand of the Group, the impact arising from the pandemic led to extraordinary disruptions to the business activities of the Group. Some of the offices in the PRC were instructed to close temporarily in February and March 2020. The mandated closures of business operations of the government bodies also delayed the progress of the projects. While the market recovered strongly in the second half of the year and most of the offices of the Group resumed in full capacity and operation, the revenue of the Group for 2020 as a whole was still severely affected. During the year, the revenue of the Group was HK\$717,172,000, compared with that of HK\$685,091,000 in 2019, representing an increase of 4.7%.

Cost of services

Cost of services for the year amounted to HK\$583,825,000, when compared with that of HK\$538,413,000 in 2019, representing an increase of 8.4%. Despite of the disruptions to the business activities due to the pandemic, the Group did not vary its staff and cost structure significantly and have maintained largely of its professional staff for providing quality services to the customers. Over 80% of the increment during the year was contributed by the increase in direct staff costs and subcontracting costs due to the increasing amount of contracts on hand.

Gross profit and gross profit margin

Gross profit for the year amounted to HK\$133,347,000, decreased by 9.1% when compared with 2019. Gross profit margin of the Group decreased from 21.4% to 18.6%. The decrease in gross profit margin during the year was due to the decrease in productivity from the aforementioned temporary operation closures and the delay in the progress of projects because of the pandemic in first half of 2020.

Administrative expenses

Administrative expenses for the year amounted to HK\$137,359,000, comparing with the corresponding period of HK\$127,263,000, representing an increase of 7.9%. The increase was mainly due to the increase in performance bonus and equity-settled share based payments of the Board.

Profit for the year

Profit for the year of 2020 was HK\$14,243,000 (2019: loss for the year of HK\$10,582,000).

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	703,929	656,961
Current liabilities	311,724	308,838
Current ratio	<u>2.26</u>	<u>2.13</u>

The current ratio of the Group at 31 December 2020 was 2.26 times as compared to that of 2.13 times at 31 December 2019. It was mainly resulted from the repayment of bank borrowings during the year.

As at 31 December 2020, the Group had total bank balances and cash of HK\$228,412,000 (2019: HK\$268,193,000). The unutilised banks' facility was HK\$73,000,000 (2019: HK\$35,000,000) as at 31 December 2020. The Group is having sufficient funding for future expansion and merger and acquisition plans.

As at 31 December 2020, the gearing ratio of the Group was 12.3% (represented by unsecured bank borrowings and other interest-bearing borrowings divided by total equity) (as at 31 December 2019: 24.7%).

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

Agility has always been a defining feature of the Group. Over the years, we have developed a diversified mode of business which has successfully taken us through the hurdles of 2020, enabling us to stay financially healthy and resilient as a corporate entity. The Group also benefitted from the quick recovery of the PRC from the impact of COVID-19, which had brought the economy under immense pressure.

The pandemic testified our resilience as a Group, and highlighted the importance of staying on the lookout for new trends. In 2020, the Group also took initiative to strengthen our digitalisation expertise and diversify into new areas of business, both of which will create nascent opportunities and additional income sources for the coming years. Moreover, the Group will continue to explore the vertical expansion of our service chain, for achieving maximum benefits for the shareholders of the Company (the “Shareholders”).

With an emphasis on innovation and efficiency, the Group will continue to act as a powerful driver of digitalisation in the construction industry. Revenue from our digitalisation business rose 42% in 2020 and we anticipate further rise in the proportion it contributes to our business. With the acquisition of a new entity and therefore expanded technological capabilities, isBIM is set to encompass a full spectrum of digital transformation services from consultancy to IT solutions and IoT deployment, placing the Group in an ever stronger position to partake in the growing trend of smart urbanisation. We are also an exporter of knowledge regarding digitalisation, which is an increasingly valued asset across different sectors.

In terms of regular operations, ongoing digitalisation of our workflows pushes on under the pandemic as we continue to streamline cloud operations and encourage cross-border collaboration. Our internal digital infrastructure is constantly being upgraded and strengthened, and our workforce of 1,300 is ready to transform into the next generation model of how we work as a team.

In the coming year, the Group will continue to identify opportunities for growth and maximise the benefits of our unique position in the GBA. We expect to take up larger roles in the development of smart cities, integrating our architectural and digital capabilities to build world-class infrastructure that will shape our future cities.

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 2020, the net proceeds from the Subscription had been applied as follows:

	Planned use of net proceeds as stated in the circular dated 14 March 2017 (adjusted with final relevant costs and expenses) <i>HK\$ million</i>	Actual use of net proceeds up to 31 December 2020 <i>HK\$ million</i>	Unutilised (over-utilised use of net proceed) <i>HK\$ million</i>
For potential merger and acquisition of targets in the similar business of the Company for vertical integration strategies	126.8	41.8	85.0
To expand the offices of the Group in order to maximise the benefits from the established and expanding client network (b)	13.0	40.5	(27.5)
To enhance the Company’s information technology infrastructure and working capital (c)	6.0	6.2	(0.2)
	<u>145.8</u>	<u>88.5</u>	<u>57.3</u>

Notes:

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

- (b) Since the Subscription, the Group expanded the offices in the PRC, like Beijing Studio, GBA Studio and also the overseas markets, like Dubai Studio and Singapore Studio in order to capture potential opportunities in different locations and to strengthen the international position of the Group. Hence, the actual use of proceeds on this category was higher than the planned use of proceeds.
- (c) In order to support the expansion and improvement in working productivity of the Group, information technology infrastructure was enhanced and upgraded since the Subscription.
- (d) The unutilised proceeds is expected to be used in accordance with the three categories as disclosed at the Subscription and to be used by 2022 depending on the future development of the Group.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2020. 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 2020, 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 2020, 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 2020, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2020, except for the acquisition of 60% of the issued share capital of the Accentrix Company Limited and 60% of the issued share capital of Mettle Capital Limited, there was no other 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 2020 (2019: Nil).

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2020 (2019: Nil).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group provides guarantees amounted to HK\$4,064,000 (2019: HK\$559,000) 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 2020 and 2019, 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 2020, the Group employed almost 1,300 (2019: around 1,100) 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 2020.

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 2020.

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 2020, 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 2020 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 2020.

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 the above annual results of the Group for the year ended 31 December 2020; 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 RESULT 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 2020 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 in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor of the Company on the preliminary announcement of the Company.

PUBLICATION OF 2020 ANNUAL RESULTS AND 2020 ANNUAL REPORT

The annual results announcement of the Company is published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.cchengholdings.com). The annual report of the Company for the year ended 31 December 2020 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.

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

Hong Kong, 30 March 2021

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.