

# 2019 INTERIM REPORT



思城控股有限公司  
C CHENG HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability  
Stock code:1486





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## BUSINESS HIGHLIGHTS

- Total new signed and supplementary contracts secured by the Group during the period totaled HK\$440,767,000 (six months ended 30 June 2018: HK\$457,367,000), representing a decrease of 3.6%; and
- Remaining contract sums totaled HK\$1,469,471,000 (six months ended 30 June 2018: HK\$1,296,570,000), representing an increase of HK\$172,901,000 or 13.3%.

## FINANCIAL HIGHLIGHTS

- Revenue of the Group was HK\$319,133,000 (six months ended 30 June 2018: HK\$301,963,000), representing an increase of 5.7% from the same period of previous financial year;
- With an one-off accounting related impairment losses of HK\$19,018,000 being recognised on the underperforming business unit, Cfu Come Limited, which has ceased operation subsequent to this period end, loss for the period of the Group was HK\$8,638,000. When excluding the accounting related impairment adjustment, profit of the Group for the period was HK\$10,380,000 (six months ended 30 June 2018: HK\$25,451,000) representing a decrease of 59.2% when compared with that in the corresponding period of 2018;
- Basic loss per share was HK3.4 cents (six months ended 30 June 2018: basic earnings per share of HK8.2 cents);
- Diluted loss per share was HK3.4 cents (six months ended 30 June 2018: diluted earnings per share of HK8.1 cents); and
- No interim dividend was declared.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "Board") of Directors (the "Directors") of C Cheng Holdings Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019, together with the comparative unaudited figures for the corresponding period in 2018 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

|                                                                                                | Notes | Six months ended 30 June        |                                 |
|------------------------------------------------------------------------------------------------|-------|---------------------------------|---------------------------------|
|                                                                                                |       | 2019<br>HK\$'000<br>(Unaudited) | 2018<br>HK\$'000<br>(Unaudited) |
| Revenue                                                                                        | 3     | 319,133                         | 301,963                         |
| Cost of services                                                                               |       | (248,466)                       | (215,739)                       |
| <b>Gross profits</b>                                                                           |       | <b>70,667</b>                   | 86,224                          |
| Other income                                                                                   |       | 2,613                           | 2,534                           |
| Other gains and losses                                                                         |       | 2,182                           | (876)                           |
| Impairment losses                                                                              | 4     | (19,018)                        | -                               |
| Impairment losses under expected loss model,<br>net of reversal                                | 5     | (240)                           | (800)                           |
| Administrative expenses                                                                        |       | (57,317)                        | (54,037)                        |
| Finance costs                                                                                  |       | (3,549)                         | (769)                           |
| <b>(Loss) profit before taxation</b>                                                           | 6     | <b>(4,662)</b>                  | 32,276                          |
| Income tax expense                                                                             | 7     | (3,976)                         | (6,825)                         |
| <b>(Loss) profit for the period</b>                                                            |       | <b>(8,638)</b>                  | 25,451                          |
| <b>Other comprehensive income (expense)</b>                                                    |       |                                 |                                 |
| <i>Items that may be reclassified subsequently to<br/>profit or loss</i>                       |       |                                 |                                 |
| Exchange differences arising on translation<br>of foreign operation                            |       | (464)                           | (1,961)                         |
| Fair value gain (loss) on debt instruments at<br>fair value through other comprehensive income |       | 2,327                           | (3,430)                         |
| <b>Other comprehensive income (expense)<br/>for the period (net of tax)</b>                    |       | <b>1,863</b>                    | (5,391)                         |
| <b>Total comprehensive (expense) income for the period</b>                                     |       | <b>(6,775)</b>                  | 20,060                          |

|                                                                             |                           | <b>Six months ended 30 June</b> |             |
|-----------------------------------------------------------------------------|---------------------------|---------------------------------|-------------|
|                                                                             |                           | <b>2019</b>                     | 2018        |
| Notes                                                                       |                           | <b>HK\$'000</b>                 | HK\$'000    |
|                                                                             |                           | <b>(Unaudited)</b>              | (Unaudited) |
| <b>(Loss) profit for the period attributable to:</b>                        |                           |                                 |             |
|                                                                             | Owners of the Company     | <b>(9,865)</b>                  | 23,603      |
|                                                                             | Non-controlling interests | <b>1,227</b>                    | 1,848       |
|                                                                             |                           | <b>(8,638)</b>                  | 25,451      |
| <b>Total comprehensive (expense) income for the period attributable to:</b> |                           |                                 |             |
|                                                                             | Owners of the Company     | <b>(7,833)</b>                  | 18,201      |
|                                                                             | Non-controlling interests | <b>1,058</b>                    | 1,859       |
|                                                                             |                           | <b>(6,775)</b>                  | 20,060      |
| (Loss) earnings per share (expressed in HK cents)                           | 8                         |                                 |             |
|                                                                             | – Basic                   | <b>(3.4)</b>                    | 8.2         |
|                                                                             | – Diluted                 | <b>(3.4)</b>                    | 8.1         |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

|                                                                     | Notes | At 30 June<br>2019<br>HK\$'000<br>(Unaudited) | At 31 December<br>2018<br>HK\$'000<br>(Audited) |
|---------------------------------------------------------------------|-------|-----------------------------------------------|-------------------------------------------------|
| <b>Non-current assets</b>                                           |       |                                               |                                                 |
| Property, plant and equipment                                       | 10    | 114,191                                       | 23,129                                          |
| Goodwill                                                            |       | 14,817                                        | 31,450                                          |
| Intangible assets                                                   |       | 7,221                                         | 8,563                                           |
| Financial assets at fair value through profit or loss               |       | 43,449                                        | 41,478                                          |
| Debt instrument at fair value through<br>other comprehensive income |       | 22,732                                        | 20,456                                          |
| Rental and utility deposits                                         |       | 10,906                                        | 10,983                                          |
| Deferred tax assets                                                 |       | 727                                           | 998                                             |
|                                                                     |       | <b>214,043</b>                                | 137,057                                         |
| <b>Current assets</b>                                               |       |                                               |                                                 |
| Trade receivables                                                   | 11    | 219,097                                       | 215,185                                         |
| Contract assets                                                     | 12    | 138,339                                       | 121,123                                         |
| Deposit, prepayments and other receivables                          |       | 8,347                                         | 9,913                                           |
| Other current assets                                                |       | 2,653                                         | 2,654                                           |
| Bank balances and cash                                              |       | 164,625                                       | 182,104                                         |
|                                                                     |       | <b>533,061</b>                                | 530,979                                         |
| <b>Current liabilities</b>                                          |       |                                               |                                                 |
| Trade payables                                                      | 13    | 7,791                                         | 4,551                                           |
| Accruals and other payables                                         |       | 27,673                                        | 79,633                                          |
| Lease liabilities                                                   |       | 35,427                                        | –                                               |
| Contract liabilities                                                |       | 75,518                                        | 71,652                                          |
| Income tax payable                                                  |       | 4,756                                         | 3,990                                           |
| Unsecured bank borrowings                                           | 14    | 96,974                                        | 54,211                                          |
|                                                                     |       | <b>248,139</b>                                | 214,037                                         |
| <b>Net current assets</b>                                           |       | <b>284,922</b>                                | 316,942                                         |
| <b>Total assets less current liabilities</b>                        |       | <b>498,965</b>                                | 453,999                                         |

|                                              |    | <b>At 30 June<br/>2019<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2018<br>HK\$'000<br>(Audited) |
|----------------------------------------------|----|---------------------------------------------------------|-------------------------------------------------|
| <b>Non-current liabilities</b>               |    |                                                         |                                                 |
| Lease liabilities                            |    | <b>52,842</b>                                           | –                                               |
| Deferred tax liabilities                     |    | <b>2,052</b>                                            | 3,262                                           |
|                                              |    | <b>54,894</b>                                           | 3,262                                           |
| <b>Net assets</b>                            |    |                                                         |                                                 |
|                                              |    | <b>444,071</b>                                          | 450,737                                         |
| <b>Capital and reserves</b>                  |    |                                                         |                                                 |
| Issued capital                               | 15 | <b>2,883</b>                                            | 2,883                                           |
| Reserves                                     |    | <b>409,379</b>                                          | 418,984                                         |
| Equity attributable to owners of the Company |    | <b>412,262</b>                                          | 421,867                                         |
| Non-controlling interests                    |    | <b>31,809</b>                                           | 28,870                                          |
| <b>Total equity</b>                          |    | <b>444,071</b>                                          | 450,737                                         |



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Attributable to owners of the Company

|                                                                                      | Issued capital<br>HK\$'000 | Share premium<br>HK\$'000 | PRC Statutory reserve<br>HK\$'000<br>(Note a) | Share option reserve<br>HK\$'000 | Investment revaluation reserve<br>HK\$'000 | Other reserve<br>HK\$'000<br>(Note b) | Translation reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | Sub-total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------------------------------------------------------|----------------------------|---------------------------|-----------------------------------------------|----------------------------------|--------------------------------------------|---------------------------------------|---------------------------------|------------------------------|-----------------------|---------------------------------------|-------------------|
| At 1 January 2018 (audited)                                                          | 2,883                      | 283,501                   | 5,765                                         | 3,313                            | (1,042)                                    | (46,389)                              | 186                             | 147,356                      | 395,573               | 16,710                                | 412,283           |
| Profit for the period                                                                | -                          | -                         | -                                             | -                                | -                                          | -                                     | -                               | 23,603                       | 23,603                | 1,848                                 | 25,451            |
| Exchange differences arising on translation                                          | -                          | -                         | -                                             | -                                | -                                          | -                                     | (1,972)                         | -                            | (1,972)               | 11                                    | (1,961)           |
| Fair value loss on debt instruments at fair value through other comprehensive income | -                          | -                         | -                                             | -                                | (3,430)                                    | -                                     | -                               | -                            | (3,430)               | -                                     | (3,430)           |
| Total comprehensive income (expense) for the period                                  | -                          | -                         | -                                             | -                                | (3,430)                                    | -                                     | (1,972)                         | 23,603                       | 18,201                | 1,859                                 | 20,060            |
| Capital injection shared by non-controlling interests                                | -                          | -                         | -                                             | -                                | -                                          | -                                     | -                               | -                            | -                     | 6,997                                 | 6,997             |
| Recognition of equity-settled share-based payments                                   | -                          | -                         | -                                             | 3,723 (92)                       | -                                          | -                                     | -                               | 92                           | 3,723                 | -                                     | 3,723             |
| Lapse of share options                                                               | -                          | -                         | -                                             | -                                | -                                          | -                                     | -                               | -                            | -                     | -                                     | -                 |
| Dividends recognised as distribution                                                 | -                          | -                         | -                                             | -                                | -                                          | -                                     | -                               | (11,530)                     | (11,530)              | -                                     | (11,530)          |
| At 30 June 2018 (unaudited)                                                          | 2,883                      | 283,501                   | 5,765                                         | 6,944                            | (4,472)                                    | (46,389)                              | (1,786)                         | 159,521                      | 405,967               | 25,566                                | 431,533           |
| At 1 January 2019 (audited)                                                          | 2,883                      | 283,501                   | 6,267                                         | 11,133                           | (2,520)                                    | (46,389)                              | (6,685)                         | 173,477                      | 421,867               | 28,870                                | 450,737           |
| (Loss) profit for the period                                                         | -                          | -                         | -                                             | -                                | -                                          | -                                     | -                               | (9,865)                      | (9,865)               | 1,227                                 | (8,638)           |
| Exchange differences arising on translation                                          | -                          | -                         | -                                             | -                                | -                                          | -                                     | (295)                           | -                            | (295)                 | (169)                                 | (464)             |
| Fair value gain on debt instruments at fair value through other comprehensive income | -                          | -                         | -                                             | -                                | 2,327                                      | -                                     | -                               | -                            | 2,327                 | -                                     | 2,327             |
| Total comprehensive income (expense) for the period                                  | -                          | -                         | -                                             | -                                | 2,327                                      | -                                     | (295)                           | (9,865)                      | (7,833)               | 1,058                                 | (6,775)           |
| Acquisition of non-controlling interests (note c)                                    | -                          | -                         | -                                             | -                                | -                                          | (1,360)                               | -                               | -                            | (1,360)               | 1,360                                 | -                 |
| Recognition of equity-settled share-based payments                                   | -                          | -                         | -                                             | 5,353 (139)                      | -                                          | -                                     | -                               | -                            | 5,353                 | 521                                   | 5,874             |
| Lapse of share options                                                               | -                          | -                         | -                                             | -                                | -                                          | -                                     | -                               | 139                          | -                     | -                                     | -                 |
| Dividends recognised as distribution                                                 | -                          | -                         | -                                             | -                                | -                                          | -                                     | -                               | (5,765)                      | (5,765)               | -                                     | (5,765)           |
| At 30 June 2019 (unaudited)                                                          | 2,883                      | 283,501                   | 6,267                                         | 16,347                           | (193)                                      | (47,749)                              | (6,980)                         | 158,186                      | 412,262               | 31,809                                | 444,071           |



Notes:

- (a) The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries in the People's Republic of China (the "PRC") in accordance with the relevant laws and regulations of the PRC. Appropriation to such reserve is made out of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries while the amount and allocation basis is decided by their respective boards of directors annually. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.
- (b) The balance mainly represents a HK\$53,519,000 debit reserve resulting from the Share Swap pursuant to the group reorganisation (details refer to Note 29 to the consolidated financial statements in the annual report for the year ended 31 December 2013) and HK\$5,210,000 credit reserve resulting from recognition of equity-settled share-based payments to Mr. Wang Jun You (details refer to note d of the consolidated statement of changes in equity in the consolidated financial statements in the annual report for the year ended 31 December 2013).
- (c) For the six months period ended 30 June 2019, the Group acquired the remaining 25% and 20% equity interests in two non-wholly owned subsidiaries of the Group with a consideration of HK\$1 and HK\$1 respectively. The Group accounts for the above acquisitions as equity transactions. The difference between the considerations and the carrying amounts of the non-controlling interests of the subsidiaries of the Group amounting to approximately HK\$1,360,000 in aggregate was recognised in other reserve.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

|                                                                                                 | Six months ended 30 June |                 |
|-------------------------------------------------------------------------------------------------|--------------------------|-----------------|
|                                                                                                 | 2019                     | 2018            |
|                                                                                                 | HK\$'000                 | HK\$'000        |
|                                                                                                 | (Unaudited)              | (Unaudited)     |
| <b>Operating activities</b>                                                                     |                          |                 |
| Operating cash flows before movements in working capital                                        | 45,388                   | 39,359          |
| (Increase) decrease in contract assets                                                          | (17,303)                 | 15,796          |
| Increase in trade receivables                                                                   | (4,013)                  | (68,074)        |
| Decrease in accruals and other payables                                                         | (52,326)                 | (38,018)        |
| Increase in contract liabilities                                                                | 3,797                    | 7,231           |
| Movement in other working capital                                                               | 414                      | (1,300)         |
| Income taxes paid                                                                               | (4,169)                  | (3,875)         |
| <b>Net cash used in operating activities</b>                                                    | <b>(28,212)</b>          | <b>(48,881)</b> |
| <b>Investing activities</b>                                                                     |                          |                 |
| Purchases of property, plant and equipment                                                      | (8,195)                  | (3,315)         |
| Other investing cash flows                                                                      | 1,249                    | 1,134           |
| <b>Net cash used in investing activities</b>                                                    | <b>(6,946)</b>           | <b>(2,181)</b>  |
| <b>Financing activities</b>                                                                     |                          |                 |
| New bank borrowings raised                                                                      | 46,000                   | 40,000          |
| Repayment of bank borrowings                                                                    | (3,237)                  | (12,954)        |
| Repayment of leases liabilities                                                                 | (19,572)                 | –               |
| Dividends paid                                                                                  | (5,765)                  | (11,530)        |
| <b>Net cash from financing activities</b>                                                       | <b>17,426</b>            | <b>15,516</b>   |
| <b>Net decrease in cash and cash equivalents</b>                                                | <b>(17,732)</b>          | <b>(35,546)</b> |
| <b>Cash and cash equivalents at beginning of the period</b>                                     | <b>182,104</b>           | <b>233,807</b>  |
| Effect of foreign exchange rate changes                                                         | 253                      | (447)           |
| <b>Cash and cash equivalents at end of the period,</b><br>represented by bank balances and cash | <b>164,625</b>           | <b>197,814</b>  |



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

### 1. GENERAL INFORMATION

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 were 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 condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) *Interim Financial Reporting* issued by the Hong Kong Institutes of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.



### **Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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

Except for the new HKFRSs mentioned below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### **2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

##### **2.1.1 Key changes in accounting policies resulting from application of HKFRS 16**

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

###### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.



*As a lessee*

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

There are no lease contracts contain non-lease components held by the Group.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “Property, plant and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned on the condensed consolidated statement of financial position.



#### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

#### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.



#### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

#### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.





## **2.1.2 Transition and summary of effects arising from initial application of HKFRS 16**

### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.62%.

|                                                                      | <b>At 1 January<br/>2019<br/>HK\$'000</b> |
|----------------------------------------------------------------------|-------------------------------------------|
| Operating lease commitments disclosed as at 31 December 2018         | <b>95,174</b>                             |
| Lease liabilities discounted at relevant incremental borrowing rates | <b>88,051</b>                             |
| Lease liabilities as at 1 January 2019                               | <b>88,051</b>                             |
| Analysed as                                                          |                                           |
| Current                                                              | <b>35,430</b>                             |
| Non-current                                                          | <b>52,621</b>                             |
|                                                                      | <b>88,051</b>                             |

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

|                                                                                          | Note | <b>Right-of-<br/>use assets<br/>HK\$'000</b> |
|------------------------------------------------------------------------------------------|------|----------------------------------------------|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 |      | <b>88,051</b>                                |
| Adjustments on rental deposits at 1 January 2019                                         | (a)  | <b>833</b>                                   |
|                                                                                          |      | <b>88,884</b>                                |
| By class:                                                                                |      |                                              |
| Office properties                                                                        |      | <b>86,266</b>                                |
| Staff quarters                                                                           |      | <b>2,618</b>                                 |
|                                                                                          |      | <b>88,884</b>                                |

Note:

- (a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$833,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

|                                | <b>Carrying<br/>amounts<br/>previously<br/>reported at<br/>31 December<br/>2018</b> | <b>Adjustments</b> | <b>Carrying<br/>amounts<br/>under<br/>HKFRS 16<br/>at 1 January<br/>2019</b> |
|--------------------------------|-------------------------------------------------------------------------------------|--------------------|------------------------------------------------------------------------------|
|                                | HK\$'000                                                                            | HK\$'000           | HK\$'000                                                                     |
| <b>Non-current assets</b>      |                                                                                     |                    |                                                                              |
| Property, plant and equipment  | 23,129                                                                              | 88,884             | 112,013                                                                      |
| Rental and utility deposits    | 10,983                                                                              | [833]              | 10,150                                                                       |
| <b>Current liabilities</b>     |                                                                                     |                    |                                                                              |
| Lease liabilities              | –                                                                                   | 35,430             | 35,430                                                                       |
| <b>Non-current liabilities</b> |                                                                                     |                    |                                                                              |
| Lease liabilities              | –                                                                                   | 52,621             | 52,621                                                                       |

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.



### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the contract revenue from comprehensive architectural services and BIM services recognised over time during the period.

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker (“**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group’s reportable segments under HKFRS 8 “Operating Segments” are as follows:

- |                                      |                                                                                                                        |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Comprehensive architectural services | – provision of architecture, landscape architecture, town planning, interior design and heritage conservation services |
| BIM services                         | – provision of BIM consultancy services, BIM professional training services and BIM software developing                |

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

## Segment revenue and results

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

### For the six months ended 30 June 2019

|                                                                                                           | Comprehensive<br>architectural<br>services<br>HK\$'000 | BIM<br>services<br>HK\$'000 | Reportable<br>segment<br>total<br>HK\$'000 | Elimination<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------|--------------------------------------------|-------------------------|-------------------|
| <b>Segment revenue</b>                                                                                    |                                                        |                             |                                            |                         |                   |
| Architecture services                                                                                     | 238,546                                                | -                           | 238,546                                    | -                       | 238,546           |
| Landscape architecture,<br>town planning, interior<br>design and heritage<br>conservation services        | 55,273                                                 | -                           | 55,273                                     | -                       | 55,273            |
| BIM services                                                                                              | -                                                      | 25,314                      | 25,314                                     | -                       | 25,314            |
| External revenue                                                                                          | 293,819                                                | 25,314                      | 319,133                                    | -                       | 319,133           |
| Inter-segment revenue                                                                                     | -                                                      | 5,453                       | 5,453                                      | (5,453)                 | -                 |
| <b>Total</b>                                                                                              | <b>293,819</b>                                         | <b>30,767</b>               | <b>324,586</b>                             | <b>(5,453)</b>          | <b>319,133</b>    |
| <b>Segment results</b>                                                                                    |                                                        |                             |                                            |                         |                   |
| Reportable segment results                                                                                | 11,096                                                 | 4,895                       | 15,991                                     | (2,995)                 | 12,996            |
| Reconciliation                                                                                            |                                                        |                             |                                            |                         |                   |
| Unallocated other income                                                                                  |                                                        |                             |                                            |                         | 2,561             |
| Gain on fair value<br>changes of<br>financial assets at fair<br>value through profit or<br>loss ("FVTPL") |                                                        |                             |                                            |                         | 2,276             |
| Impairment loss on<br>goodwill                                                                            |                                                        |                             |                                            |                         | (16,633)          |
| Impairment loss on<br>intangible assets                                                                   |                                                        |                             |                                            |                         | (2,385)           |
| Other unallocated<br>corporate expenses                                                                   |                                                        |                             |                                            |                         | (3,477)           |
| Group's losses before<br>taxation                                                                         |                                                        |                             |                                            |                         | (4,662)           |

For the six months ended 30 June 2018

|                                                                                                       | Comprehensive<br>architectural<br>services<br>HK\$'000 | BIM<br>services<br>HK\$'000 | Reportable<br>segment<br>total<br>HK\$'000 | Elimination<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------|--------------------------------------------|-------------------------|-------------------|
| <b>Segment revenue</b>                                                                                |                                                        |                             |                                            |                         |                   |
| Architecture services                                                                                 | 241,642                                                | -                           | 241,642                                    | -                       | 241,642           |
| Landscape architecture,<br>town planning,<br>interior design and<br>heritage<br>conservation services | 38,441                                                 | -                           | 38,441                                     | -                       | 38,441            |
| BIM services                                                                                          | -                                                      | 21,880                      | 21,880                                     | -                       | 21,880            |
| External revenue                                                                                      | 280,083                                                | 21,880                      | 301,963                                    | -                       | 301,963           |
| Inter-segment revenue                                                                                 | -                                                      | 1,425                       | 1,425                                      | (1,425)                 | -                 |
| Total                                                                                                 | 280,083                                                | 23,305                      | 303,388                                    | (1,425)                 | 301,963           |
| <b>Segment results</b>                                                                                |                                                        |                             |                                            |                         |                   |
| Reportable segment results                                                                            | 30,201                                                 | 5,395                       | 35,596                                     | -                       | 35,596            |
| Reconciliation                                                                                        |                                                        |                             |                                            |                         |                   |
| Unallocated other income                                                                              |                                                        |                             |                                            |                         | 2,134             |
| Loss on fair value<br>changes in<br>contingent<br>consideration payable                               |                                                        |                             |                                            |                         | (197)             |
| Other unallocated<br>corporate expenses                                                               |                                                        |                             |                                            |                         | (5,257)           |
| Group's profit before<br>taxation                                                                     |                                                        |                             |                                            |                         | 32,276            |

Segment results represent the profit from each segment without allocation of certain other income, loss on fair value changes in contingent consideration payable, gain on fair value changes of financial assets at FVTPL, impairment losses on goodwill, impairment loss on intangible assets and corporate expenses incurred by the Company. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

### Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets other than deferred tax assets, debt instruments at fair value through other comprehensive income and financial assets at FVTPL as appropriate.

|                             | Revenue from<br>external customers |          | Non-current assets |             |
|-----------------------------|------------------------------------|----------|--------------------|-------------|
|                             | Six months ended 30 June           |          | 30 June            | 31 December |
|                             | 2019                               | 2018     | 2019               | 2018        |
|                             | HK\$'000                           | HK\$'000 | HK\$'000           | HK\$'000    |
| <i>Geographical markets</i> |                                    |          |                    |             |
| Hong Kong                   | 91,042                             | 84,859   | 66,215             | 56,907      |
| The PRC                     | 216,370                            | 207,197  | 75,474             | 15,918      |
| Macau                       | 4,452                              | 9,907    | -                  | -           |
| Others                      | 7,269                              | -        | 5,446              | 1,300       |
|                             | <b>319,133</b>                     | 301,963  | <b>147,135</b>     | 74,125      |

#### 4. IMPAIRMENT LOSSES

For the six months ended 30 June 2019, the Group ceased the operation of underperforming business unit, Cfu Come Limited in June 2019. Based on management's assessment, the Group fully recognised impairment losses of goodwill and intangible assets of HK\$16,633,000 and HK\$2,385,000 respectively in the profit or loss during the period.

#### 5. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

|                                            | Six months ended 30 June |             |
|--------------------------------------------|--------------------------|-------------|
|                                            | 2019                     | 2018        |
|                                            | HK\$'000                 | HK\$'000    |
|                                            | (Unaudited)              | (Unaudited) |
| Impairment losses recognised (reversed) on |                          |             |
| – Trade receivables                        | 34                       | 928         |
| – Contract assets                          | 206                      | (128)       |
|                                            | <b>240</b>               | 800         |

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.



## 6. (LOSS) PROFIT BEFORE TAXATION

|                                                                                                                                                                                      | <b>Six months ended 30 June</b> |             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------|
|                                                                                                                                                                                      | <b>2019</b>                     | 2018        |
|                                                                                                                                                                                      | <b>HK\$'000</b>                 | HK\$'000    |
|                                                                                                                                                                                      | <b>(Unaudited)</b>              | (Unaudited) |
| (Loss) profit before taxation has been arrived at after charging (crediting):                                                                                                        |                                 |             |
| Depreciation of property, plant and equipment and right-of-use assets (excluded depreciation of right-of-use assets for staff quarters, which are included in the total staff costs) | <b>25,032</b>                   | 3,707       |
| Loss on disposal of property, plant and equipment                                                                                                                                    | <b>2</b>                        | 12          |
| Loss on fair value changes in contingent consideration payable                                                                                                                       | <b>-</b>                        | 197         |
| Gain on fair value changes of financial assets at FVTPL                                                                                                                              | <b>(2,276)</b>                  | -           |
| Amortisation of intangible assets - included in cost of services                                                                                                                     | <b>321</b>                      | 406         |
| Operating lease payments (note)                                                                                                                                                      | <b>-</b>                        | 19,256      |
| Staff costs                                                                                                                                                                          |                                 |             |
| - Salaries allowances and other benefits                                                                                                                                             | <b>192,517</b>                  | 178,254     |
| - Operating lease payments (note)                                                                                                                                                    | <b>-</b>                        | 510         |
| - Depreciation of right-of-use assets for staff quarters                                                                                                                             | <b>933</b>                      | -           |
| - Contributions to retirements benefits                                                                                                                                              | <b>10,209</b>                   | 7,378       |
| - Equity-settled share-based payments                                                                                                                                                | <b>5,874</b>                    | 3,723       |
| <b>Total staff costs (including directors' emoluments)</b>                                                                                                                           | <b>209,533</b>                  | 189,865     |

Note: For the six months ended 30 June 2019, the amount includes the operating lease payments for staff quarters amounting to HK\$510,000, which are included in the total staff costs.

## 7. INCOME TAX EXPENSE

|                                            | Six months ended 30 June |             |
|--------------------------------------------|--------------------------|-------------|
|                                            | 2019                     | 2018        |
|                                            | HK\$'000                 | HK\$'000    |
|                                            | (Unaudited)              | (Unaudited) |
| The income tax expense (credit) comprises: |                          |             |
| Current tax:                               |                          |             |
| Hong Kong Profits Tax                      | 1,722                    | 2,073       |
| PRC Enterprise Income Tax ("EIT")          | 3,264                    | 5,034       |
|                                            | <b>4,986</b>             | 7,107       |
| Deferred tax:                              |                          |             |
| Current period                             | (1,010)                  | (282)       |
|                                            | <b>3,976</b>             | 6,825       |

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

Accordingly, starting from 2018, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the qualifying group entity.

Under the law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

梁黃顧建築設計(深圳)有限公司 ("LWK Architecture"), a wholly owned subsidiary of the Company, satisfied the requirements of relevant local tax bureau authorities as a qualified enterprise in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and accordingly, is entitled to have a preferential EIT rate of 15% for both periods.

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

## 8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

|                                                                                                                                                  | Six months ended 30 June |             |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------|
|                                                                                                                                                  | 2019                     | 2018        |
|                                                                                                                                                  | HK\$'000                 | HK\$'000    |
|                                                                                                                                                  | (Unaudited)              | (Unaudited) |
| Earnings for the purposes of basic and diluted (loss) earnings per share: (Loss) profit for the period attributable to the owners of the Company | <b>(9,865)</b>           | 23,603      |
| <b>Number of shares:</b>                                                                                                                         |                          |             |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share                                                    | <b>288,261,000</b>       | 288,261,000 |
| Effect of dilutive potential ordinary shares in respect of share options outstanding                                                             | -                        | 4,180,000   |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share                                                  | <b>288,261,000</b>       | 292,441,000 |

The computation of diluted (loss) earnings per share for the six months ended 30 June 2019 does not assume the exercise of the Company's share options granted in 2017 and 2018 under the share option scheme because the exercise price of those options was higher than the average market prices of shares for the six months period ended 30 June 2019.

## 9. DIVIDENDS

The Board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2019. For the six months ended 30 June 2018, the Board of directors declared an interim dividend of HK3.0 cents per ordinary share totalling HK\$8,648,000.

During the current interim period, a final dividend for the year ended 31 December 2018 of HK2.0 cents (six months ended 30 June 2018: a final dividend for the year ended 31 December 2017 of HK4.0 cents) per share amounting to approximately HK\$5,765,000 (six months ended 30 June 2018: HK\$11,530,000) were declared and payable to the shareholders.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired equipment and leasehold improvement of approximately HK\$8,195,000 (six months ended 30 June 2018: HK\$3,315,000).

During the current interim period, the Group entered into new lease agreements for the use of 1 to 3 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised HK\$19,912,000 of right-of-use asset and HK\$19,790,000 lease liability.

## 11. TRADE RECEIVABLES

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

|                                  | <b>At 30 June<br/>2019<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2018<br>HK\$'000<br>(Audited) |
|----------------------------------|---------------------------------------------------------|-------------------------------------------------|
| Unbilled receivable (note)       | <b>72,143</b>                                           | 72,989                                          |
| Within 30 days                   | <b>79,378</b>                                           | 49,160                                          |
| Over 30 days and within 90 days  | <b>28,896</b>                                           | 47,855                                          |
| Over 90 days and within 180 days | <b>9,489</b>                                            | 22,435                                          |
| Over 180 days                    | <b>29,191</b>                                           | 22,746                                          |
|                                  | <b>219,097</b>                                          | 215,185                                         |

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

## 12. CONTRACT ASSETS

|                                      | <b>At 30 June<br/>2019<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2018<br>HK\$'000<br>(Audited) |
|--------------------------------------|---------------------------------------------------------|-------------------------------------------------|
| Comprehensive architectural services | <b>122,202</b>                                          | 105,370                                         |
| BIM services                         | <b>16,137</b>                                           | 15,753                                          |
|                                      | <b>138,339</b>                                          | 121,123                                         |

## 13. TRADE PAYABLES

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

|                                 | <b>At 30 June<br/>2019<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2018<br>HK\$'000<br>(Audited) |
|---------------------------------|---------------------------------------------------------|-------------------------------------------------|
| Within 30 days                  | <b>6,244</b>                                            | 3,382                                           |
| Over 30 days and within 90 days | <b>415</b>                                              | 87                                              |
| Over 90 days                    | <b>1,132</b>                                            | 1,082                                           |
|                                 | <b>7,791</b>                                            | 4,551                                           |

#### 14. UNSECURED BANK BORROWINGS

For the six months ended 30 June 2019, the Group obtained new bank borrowings amounting to HK\$46,000,000 (31 December 2018: HK\$50,000,000). The new bank borrowings are revolved on a monthly basis. The loans carry interest at a premium over Hong Kong Interbank Offered Rate.

#### 15. ISSUED CAPITAL

|                                                         | Number of shares | Amount<br>HK\$'000 |
|---------------------------------------------------------|------------------|--------------------|
| Ordinary shares of HK\$0.01 each                        |                  |                    |
| <b>Authorised</b>                                       |                  |                    |
| At 1 January 2018, 31 December 2018 and<br>30 June 2019 | 1,000,000,000    | 10,000             |
| <b>Issued and paid up</b>                               |                  |                    |
| At 1 January 2018, 31 December 2018 and<br>30 June 2019 | 288,260,780      | 2,883              |

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2018 and six months period ended 30 June 2019.

## 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

|         |                                                                                                                                                                                                                                       |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;                                                                                                       |
| Level 2 | fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and |
| Level 3 | fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).                                                |

| Financial assets                                                 | Fair value as at |                  | Fair value hierarchy | Valuation technique and key inputs | Significant unobserved inputs |
|------------------------------------------------------------------|------------------|------------------|----------------------|------------------------------------|-------------------------------|
|                                                                  | 30 June 2019     | 30 December 2018 |                      |                                    |                               |
|                                                                  | HK\$'000         | HK\$'000         |                      |                                    |                               |
| Financial assets at FVTPL                                        | 43,449           | 41,478           | Level 2              | Based on the quoted market price   | N/A                           |
| Debt instrument at fair value through other comprehensive income | 22,732           | 20,456           | Level 2              | Based on the quoted market price   | N/A                           |

There were no transfers between Level 1, 2 and 3 during both periods.

### Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the six months ended 30 June 2019, the revenue of the Group was HK\$319,133,000, increased by 5.7% when compared with that in the corresponding period of 2018. The Group has secured 198 new contracts in Hong Kong, the People's Republic of China (the "PRC") and other markets during the period. The value of new signed contracts and supplementary contracts totaled approximately HK\$440,767,000. When compared with that of HK\$457,367,000 in the corresponding period of 2018, decreased by 3.6%. As at 30 June 2019, the Group had remaining contract sums of approximately HK\$1,469,471,000, while in the same period of 2018, it was HK\$1,296,570,000.

### Comprehensive Architectural Services

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

During the period, our comprehensive architectural business contributed HK\$238,546,000 in revenue, representing a decrease of 1.3%. We secured 164 new contracts and the value of new contracts and supplementary contracts totaled approximately HK\$412,450,000, as compared with HK\$432,637,000 in same period of 2018, representing a decrease of 4.7%. As at 30 June 2019, the Group had remaining contract sums of approximately HK\$1,411,007,000, increased up by 13.3% as compared with HK\$1,245,794,000 at same period of 2018.

As our main stream of practice, our traditional sector in architecture contributed approximately 75% of the revenue to our comprehensive architectural services. Riding on the strong momentum in recent years, our interior design team continued its growth curve and sustained a 18.5% growth in revenue in this period. It has fulfilled rising market demands on urban renovation projects especially in offices, hotels and international school.





## **Building Information Modelling (“BIM”) Services**

isBIM Limited (“isBIM”) services cover BIM consultancy services, digital transformation consultancy services, cloud based BIM platform development, cloud based project management platform development and BIM professional training services. The project nature of isBIM covers smart cities, infrastructure projects, transit projects and large-scale property development. During the period, isBIM’s revenue amounted to HK\$25,314,000 when compared to revenue of HK\$21,880,000 in the same period of 2018, represented an increase of 15.7%. isBIM successfully secured 34 new contracts and the value of the new contracts and supplementary contracts totaled approximately HK\$28,317,000, representing an increase of 14.5%. Remaining contract sum as at 30 June 2019 was approximately HK\$58,464,000, increased by 15.1% as compared with HK\$50,776,000 at same period of 2018. We believe that together with the Group’s experience and connections in our traditional architecture services, isBIM will be able to connect our existing architecture services and create extended value to our customers.

The digital team of isBIM launched a BIM general data management platform in the first half of 2019. Clients include top-ten developers in the PRC and we expect to see incremental growth for this 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 Review**

### **Revenue**

Despite of the Group’s record high contract on hand, the uncertainties arising from the continuation and escalation of the Sino-Trade War has always been challenging, delays in the progress of projects during the period has thereby chilled the Group’s revenue growth.

During the period, the Group’s revenue was HK\$319,133,000, compared with that of HK\$301,963,000 in same period of 2018, representing an increase of 5.7%.

### **Cost of services**

Cost of services for the period ended 30 June 2019 amounted to HK\$248,466,000, when compared with that of HK\$215,739,000 in corresponding period of 2018, representing an increase of 15.2%. Over 66% of such increment during the period is contributed by the increase in direct staff costs due to the increasing amount of contracts on hand.

### **Gross profit and gross profit margin**

Gross profit for the period amounted to HK\$70,667,000, decreased by 18.0% when compared with the corresponding period. At the same time, gross profit margin of the Group decreased from 28.6% to 22.1%. The decrease in gross profit margin in this period was due to the expansion of the professional team leading to an increase in staff costs during the period, while the growth in revenue was not in the same pace due to the aforementioned delay in progress of projects.



## Administrative expenses

Administrative expenses for the period ended 30 June 2019 amounted to HK\$57,317,000, comparing with corresponding period of HK\$54,037,000, representing an increase of 6.1%. The increase was mainly attributable to the increased business development expenses for our market penetration during the period.

## Loss for the period

Loss for the period ended 30 June 2019 was HK\$8,638,000. When excluding the non-recurring accounting related impairment losses of HK\$19,018,000 from the cessation of underperforming business unit, profit for the period was HK\$10,380,000.

## OUTLOOK

In the last two years, the Group has substantially expanded the offices and branches in the mainland China and overseas. More new professional disciplines joined the Group. In the first half of this year, each team strives to operate and develop the market as planned, amidst the global economic instability, the Group will take proactive measures to offset these challenges and maintain a sustainable growth in the business. The Group will keep advancing our technology adoption and IT infrastructure not just to make it more flexible, more productive, but more importantly our clients be more amazed by the ideas and innovations the Group bringing to them.

On 13 August 2019, the Group entered into the Sino-foreign joint venture agreement with Beijing General Municipal Engineering Design & Research Institute Co. Ltd (“**BMEDI**”) to establish a sino-foreign joint venture company, named C-Bay Smart Cities Limited (“**C-Bay**”) which will focus on “smart cities” as the main line of business, in which the Guangdong-Hong Kong-Macau Greater Bay Area and the “Belt-and-Road” international cities development are the core markets. C-Bay will provide services to the government and the property owners, namely regional comprehensive & strategic development planning, project feasibility planning, water resources and ecological environment management, urban renewal, digital smart-city platform establishment, as well as comprehensive investment, financing and construction consultation services. It will implement integrated solutions for the building of smart cities and contribute to building an international bay area and world-class city clusters.

The establishment of C-Bay will facilitate the Company and BMEDI to leverage our respective technologies and experience in the main businesses in line with the Company’s business strategic development to spearhead upper-stream business opportunities, in order to build an internationally influential brand of consultation services. It will pool trans-disciplinary business talents to develop comprehensive and innovative technologies, facilitating the deep integration of the Internet, big data, artificial intelligence with the economy. It is targeted to realise the dual-development initiative of “Technology + Capital” and to create world-class city clusters. It also demonstrates the successful strategic partnership between the Company and BMEDI. It can facilitate the growth, through the synergy with BMEDI, to further solidify the future development of the Group in the Greater Bay Area with data-enabled design capabilities in urbanisation.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

|                     | <b>As at<br/>30 June<br/>2019<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>HK\$'000 |
|---------------------|------------------------------------------------|------------------------------------------|
| Current assets      | <b>533,061</b>                                 | 530,979                                  |
| Current liabilities | <b>248,139</b>                                 | 214,037                                  |
| Current ratio       | <b>2.15</b>                                    | 2.48                                     |

The current ratio of the Group at 30 June 2019 was 2.15 times as compared to that of 2.48 times at 31 December 2018. It was mainly resulted from the accounting related adjustment of lease liabilities at HK\$35,427,000 arising from the application of HKFRS 16 during the period.

At 30 June 2019, the Group had total bank balances and cash of HK\$164,625,000 (31 December 2018: HK\$182,104,000). The unutilised general banking facilities was approximately HK\$53,000,000 as at 30 June 2019 (31 December 2018: HK\$21,000,000).

At 30 June 2019, the Group's gearing ratio (represented by bank borrowings divided by equity) amounted to approximately 21.8% (31 December 2018: 12.0%).

The Group's borrowing have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

There has been no change in the capital structure of the Company during the six months ended 30 June 2019. The capital of the Company comprises only ordinary shares.

### CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2019.



## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2019, the Group employed around 1,200 (30 June 2018: around 960) employees.

Employees are remunerated according to nature of the job, market trend, and individual performance. Employee bonus is distributed 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 scheme in Hong Kong, employee pension schemes in the PRC, medical coverage, insurance, training and development programs and share options that were granted or may be granted under the appropriate share option schemes of the Company and its subsidiary.

## **FOREIGN EXCHANGE EXPOSURE**

Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. As at 30 June 2019, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## **MATERIAL ACQUISITIONS AND DISPOSALS**


During the six months ended 30 June 2019, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

## DIRECTORS' AND CHIEF EXECUTIVES INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the interests and short positions of the Directors and the chief executive and their associates in the shares, share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### (1) Long positions

| Name of Director        | Company/name of associated company | Nature of interest                   | Number of ordinary shares held | Approximate of percentage of shareholding |
|-------------------------|------------------------------------|--------------------------------------|--------------------------------|-------------------------------------------|
| Mr. Liang Ronald        | The Company                        | Interest in a controlled corporation | 69,398,000                     | 24.07%                                    |
|                         | The Company                        | Beneficial interest                  | 6,272,000                      | 2.17%                                     |
|                         | The Company                        | Beneficial interest                  | 7,000,000 <sup>(Note 1)</sup>  | 2.42%                                     |
| Mr. Liu Gui Sheng       | The Company                        | Beneficial interest                  | 7,000,000 <sup>(Note 1)</sup>  | 2.42%                                     |
| Mr. Fu Chin Shing       | The Company                        | Interest in a controlled corporation | 25,662,000                     | 8.90%                                     |
|                         | The Company                        | Beneficial interest                  | 8,724,000                      | 3.02%                                     |
|                         | The Company                        | Interest of spouse                   | 298,000                        | 0.10%                                     |
|                         | The Company                        | Beneficial interest                  | 5,600,000 <sup>(Note 1)</sup>  | 1.94%                                     |
| Mr. Wang Jun You        | The Company                        | Interest in a controlled corporation | 12,940,000                     | 4.48%                                     |
|                         | The Company                        | Beneficial interest                  | 1,450,000                      | 0.50%                                     |
|                         | The Company                        | Beneficial interest                  | 4,000,000 <sup>(Note 1)</sup>  | 1.38%                                     |
|                         | The Company                        | Interest of spouse                   | 200,000 <sup>(Note 3)</sup>    | 0.06%                                     |
| Mr. Liu Yong            | The Company                        | Beneficial interest                  | 600,000 <sup>(Note 1)</sup>    | 0.20%                                     |
|                         | The Company                        | Beneficial interest                  | 2,000,000 <sup>(Note 1)</sup>  | 0.69%                                     |
| Mr. Ma Kwai Lam Lambert | The Company                        | Beneficial interest                  | 250,000                        | 0.08%                                     |
|                         | The Company                        | Beneficial interest                  | 2,000,000 <sup>(Note 1)</sup>  | 0.69%                                     |

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- Note: (1) These represent the shares to be issued and allotted by the Company upon exercise of the options granted under the share option scheme (the “**Share Option Scheme**”) of the Company.
- (2) Mr. Fu Chin Shing, being spouse of Ms. Chung Wai Chi, Connie, is deemed to be interested in 298,000 shares held by Ms. Chung under the SFO.
- (3) Mr. Wang Jun You, being spouse of Ms. Li Min, is deemed to be interested in 200,000 shares held by Ms. Li under the SFO.

## **(2) Short positions**

Save as disclosed above, as at 30 June 2019, none of the Directors nor chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange under the Model Code.

## **SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

Save as disclosed below, as at 30 June 2019, so far as it is known by or otherwise notified by any Director or the Chief executive of the Company, the particulars of the corporations or individuals (other than the Directors or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the shares, underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the shares of the Company:

| Name of Shareholder                       | Capacity                                                 | Total number of ordinary shares | Percentage of total issued share capital in the Company |
|-------------------------------------------|----------------------------------------------------------|---------------------------------|---------------------------------------------------------|
| Beijing Enterprises Group Company Limited | Interested in a controlled corporation (Note 1)          | 79,473,780                      | 27.57%                                                  |
| BMEDI                                     | Interested in a controlled corporation (Note 1)          | 79,473,780                      | 27.57%                                                  |
| Beijing Design Group Company Limited      | Beneficial owner (Note 1)                                | 79,473,780                      | 27.57%                                                  |
| Rainbow Path International Limited        | Beneficial owner (Note 2)                                | 62,198,000                      | 21.57%                                                  |
| Veteran Ventures Limited                  | Beneficial owner (Note 2)                                | 7,200,000                       | 2.49%                                                   |
| Vivid Colour Limited                      | Beneficial owner (Note 3)                                | 25,662,000                      | 8.90%                                                   |
| Jun Ming Investments Limited              | Beneficial owner (Note 4)                                | 12,940,000                      | 4.48%                                                   |
| Ms. Liang Sharon                          | Interest of spouse (Note 5)                              | 82,670,000                      | 28.67%                                                  |
| Ms. Chung Wai Chi, Connie                 | Interest of spouse (Note 6)<br>Beneficial owner          | 39,986,000<br>298,000           | 13.87%<br>0.10%                                         |
| Ms. Li Min                                | Interest of spouse (Note 7)<br>Beneficial owner (Note 8) | 18,390,000<br>800,000           | 6.37%<br>0.27%                                          |

Notes:

1. Beijing Design Group Company Limited is 100% owned by BMEDI and BMEDI is 100% owned by Beijing Enterprises Group Company Limited.
2. Rainbow Path International Limited and Veteran Ventures Limited are 100% owned by Mr. Liang Ronald.
3. Vivid Colour Limited is 100% owned by Mr. Fu Chin Shing.
4. Jun Ming Investments Limited is 100% owned by Mr. Wang Jun You.
5. Ms. Liang Sharon, being spouse of Mr. Liang Ronald, is deemed to be interested in the 82,670,000 shares held by Mr. Liang under the SFO.
6. Ms. Chung Wai Chi, Connie, being spouse of Mr. Fu Chin Shing, is deemed to be interested in the 39,986,000 shares held by Mr. Fu Chin Shing under the SFO.
7. Ms. Li Min, being spouse of Mr. Wang Jun You, is deemed to be interested in the 18,390,000 shares held by Mr. Wang under the SFO.
8. It represents the interest in 200,000 shares and the interest in 600,000 shares to be issued and allotted by the Company upon exercise of the share options granted under the Share Option Scheme.

## SHARE OPTION SCHEMES

Share Option Scheme has been adopted to provide incentives or rewards to eligible persons for their contribution to the Group and to enable the Group to recruit and retain high-calibre employees. Details of which have been set out in the Company's 2018 annual report. The movement during the period and the options outstanding as at 30 June 2019 were as follows:

### Share Option Scheme

| Category of grantees                  | Date of grant | Exercise Price per share | As at 1 January 2019 | Granted during the period | Exercised during the period | Forfeited during the period | As at 30 June 2019 | Exercise period |
|---------------------------------------|---------------|--------------------------|----------------------|---------------------------|-----------------------------|-----------------------------|--------------------|-----------------|
| <b>Executive Directors</b>            |               |                          |                      |                           |                             |                             |                    |                 |
| - Liang Ronald                        | 28/9/2017     | HK\$2.49                 | 3,500,000            | -                         | -                           | -                           | 3,500,000          | (Note 1)        |
|                                       | 1/11/2018     | HK\$2.334                | 3,500,000            | -                         | -                           | -                           | 3,500,000          | (Note 2)        |
| - Liu Gui Sheng                       | 28/9/2017     | HK\$2.49                 | 3,500,000            | -                         | -                           | -                           | 3,500,000          | (Note 1)        |
|                                       | 1/11/2018     | HK\$2.334                | 3,500,000            | -                         | -                           | -                           | 3,500,000          | (Note 2)        |
| - Fu Chin Shing                       | 28/9/2017     | HK\$2.49                 | 2,800,000            | -                         | -                           | -                           | 2,800,000          | (Note 1)        |
|                                       | 1/11/2018     | HK\$2.334                | 2,800,000            | -                         | -                           | -                           | 2,800,000          | (Note 2)        |
| - Wang Jun You                        | 28/9/2017     | HK\$2.49                 | 1,800,000            | -                         | -                           | -                           | 1,800,000          | (Note 3)        |
|                                       | 1/11/2018     | HK\$2.334                | 2,200,000            | -                         | -                           | -                           | 2,200,000          | (Note 4)        |
| - Liu Yong                            | 28/9/2017     | HK\$2.49                 | 1,000,000            | -                         | -                           | -                           | 1,000,000          | (Note 1)        |
|                                       | 1/11/2018     | HK\$2.334                | 1,000,000            | -                         | -                           | -                           | 1,000,000          | (Note 2)        |
| - Ma Kwai Lam Lambert                 | 28/9/2017     | HK\$2.49                 | 1,000,000            | -                         | -                           | -                           | 1,000,000          | (Note 3)        |
|                                       | 1/11/2018     | HK\$2.334                | 1,000,000            | -                         | -                           | -                           | 1,000,000          | (Note 4)        |
| Senior management and other employees | 28/9/2017     | HK\$2.49                 | 11,300,000           | -                         | -                           | (390,000)                   | 10,910,000         | (Note 3)        |
|                                       | 1/11/2018     | HK\$2.334                | 4,100,000            | -                         | -                           | -                           | 4,100,000          | (Note 4)        |
| Consultants                           | 3/4/2017      | HK\$3.29                 | 3,800,000            | -                         | -                           | -                           | 3,800,000          | (Note 5)        |
|                                       |               |                          | 46,800,000           | -                         | -                           | (390,000)                   | 46,410,000         |                 |

Note 1: The share options can be exercised from 28 September 2022 to 27 September 2024 (both dates inclusive).

Note 2: The share options can be exercised from 1 November 2023 to 31 October 2025 (both date inclusive).

Note 3: The share options can be exercised from 28 September 2020 to 27 September 2022 (both dates inclusive).

Note 4: The share options can be exercised from 1 November 2021 to 31 October 2023 (both date inclusive).

Note 5: The share options can be exercised from 3 April 2019 to 2 April 2020 (both dates inclusive).

As at the date of this report, 46,410,000 shares are issuable for options granted under Share Option Scheme representing approximately 16.1% of the total number of issued shares at that date.





## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **DIRECTOR'S INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 30 June 2019 or at any time during the six months ended 30 June 2019.

## **COMPETING INTERESTS**

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective close associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the six months ended 30 June 2019, as required to be disclosed under Rule 8.10(2) of the Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with the Model Code and its code of conduct regarding securities transactions by the Directors during the six months ended 30 June 2019.

## **COMPLIANCE WITH 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 six months period ended 30 June 2019.

## **AUDIT COMMITTEE**

The Company has established an audit committee comprising independent non-executive Directors, namely Mr. Lo Wai Hung, Mr. Yu Chi Hang and Ms. Su Ling. The audit committee has adopted terms of reference governing the authorities and duties. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2019.



## PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2019 containing all the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cchengholdings.com](http://www.cchengholdings.com)) in due course.

By Order of the Board  
**C Cheng Holdings Limited**  
**Liang Ronald**  
*Chairman*

Hong Kong, 22 August 2019

*As at the date of this report, 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. Yu Chi Hang, Mr. Lo Wai Hung and Ms. Su Ling.*