



思城控股有限公司

C CHENG HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock code: 8320



2014 FIRST QUARTERLY REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the “Directors”) of C Cheng Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL HIGHLIGHTS

For the three months ended 31 March 2014, the financial results of the Group were as follows:

- Revenue of the Group reached HK\$81,901,000 (2013: HK\$72,222,000), representing an increase of 13.4% from the same period of previous financial year;
- Profit was HK\$8,015,000, as compared to HK\$5,427,000 in the same period of previous financial year, representing an increase of 47.7%;
- Basic earnings per share based on weighted average number of ordinary shares of approximately 180,000,000 (three months ended 31 March 2013: 135,000,000) in issue was HK4.4 cents (three months ended 31 March 2013: HK4.1 cents);
- Diluted earnings per share based on weighted average number of ordinary shares of approximately 180,428,000 in issue was HK4.4 cents (three months ended 31 March 2013: N/A); and
- No interim dividend was declared.

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2014, together with the comparative unaudited figures for the corresponding period in 2013 as follows:

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

For the three months ended 31 March 2014

		For the three months ended 31 March	
	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	3	81,901	72,222
Cost of services		(56,928)	(51,341)
Gross profit		24,973	20,881
Other income		162	32
Other gains and losses		148	1,223
Administrative expenses		(14,872)	(10,772)
Listing expenses		-	(3,540)
Finance costs		(24)	(34)
Profit before taxation		10,387	7,790
Income tax expense	4	(2,372)	(2,363)
Profit for the period		8,015	5,427
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation		(901)	1,051
Other comprehensive (expense) income for the period		(901)	1,051
Total comprehensive income for the period		7,114	6,478

	Notes	For the three months ended 31 March	
		2014 HK\$'000	2013 HK\$'000
Profit (loss) for the period attributable to:			
Owners of the Company		8,014	5,471
Non-controlling interests		1	(44)
		8,015	5,427
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		7,117	6,396
Non-controlling interests		(3)	82
		7,114	6,478
Earnings per share (expressed in HK cents)	5		
– Basic		4.4	4.1
– Diluted		4.4	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014

	Attributable to owners of the Company									
	Issued capital	Share premium	Statutory reserve	Share option reserve	Other reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	1,020	-	2,165	-	336	6,733	43,988	54,242	2,370	56,612
Profit (loss) for the period	-	-	-	-	-	-	5,471	5,471	(44)	5,427
Exchange differences arising on translation	-	-	-	-	-	925	-	925	126	1,051
Total comprehensive income for the period	-	-	-	-	-	925	5,471	6,396	82	6,478
At 31 March 2013	1,020	-	2,165	-	336	7,658	49,459	60,638	2,452	63,090
At 1 January 2014	1,800	83,682	2,826	114	(47,070)	7,920	52,305	101,577	153	101,730
Profit for the period	-	-	-	-	-	-	8,014	8,014	1	8,015
Exchange differences arising on translation	-	-	-	-	-	(897)	-	(897)	(4)	(901)
Total comprehensive (expense) income for the period	-	-	-	-	-	(897)	8,014	7,117	(3)	7,114
Recognition of equity-settled share-based payments	-	-	-	324	-	-	-	324	-	324
At 31 March 2014	1,800	83,682	2,826	438	(47,070)	7,023	60,319	109,018	150	109,168

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2014

1. GENERAL INFORMATION

The Company was incorporated on 13 May 2013 in the Cayman Islands under the Companies Law, Chapter 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time and its shares are listed on the GEM of the Stock Exchange on 20 December 2013 (the "Listing Date"). 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 service.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the three months ended 31 March 2014 have been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") and the disclosure requirements of the GEM Listing Rules.

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

The accounting policies and methods of computation used in the unaudited condensed consolidated financial information for the three months ended 31 March 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

The unaudited condensed consolidated financial information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

In the current period, the Group has applied, for the first time, certain new or revised HKFRSs issued by the HKICPA that are mandatorily effective for the current period.

The application of the new or revised HKFRSs in the current period has had no material effect on the amounts reported in the unaudited condensed consolidated financial information and/or disclosures set out in the unaudited condensed consolidated financial information.

3. REVENUE

Revenue represents the contract revenue for comprehensive architectural service recognised during the period. An analysis of the Group's revenue for major services is as follows:

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Architecture	75,625	67,431
Landscape architecture, town planning, interior design and heritage conservation	6,276	4,791
	81,901	72,222

4. INCOME TAX EXPENSE

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	680	2,118
PRC Enterprise Income Tax ("EIT")	1,434	912
	2,114	3,030
Deferred tax:		
Current period	258	(667)
	2,372	2,363

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

According to Sui Yue Guo Shui Jian Bei (穗越國稅減備) (2013) 100136, the tax rate of Guangzhou Liang Wong Kou Architectural Design Co., Ltd. (廣州梁黃顧建築有限公司), a wholly owned subsidiary of the Company, is 20% on one-half of the profit chargeable to EIT for the three months ended 31 March 2014 and 2013.

According to the State Council Circular on Transitional Policy of Enterprise Income Tax (Guo Fa [2007] No. 39), the income tax rate applicable to Liang Wong Kou Design Consultants (Shenzhen) Co., Ltd (梁黃顧設計顧問(深圳)有限公司), a wholly owned subsidiary of the Company, and Shenzhen Liang Wong Kou Yiheng Architectural Design Co., Ltd. (深圳梁黃顧藝恒建築有限公司) ("LWK Yiheng") is 25% for the three months ended 31 March 2014 and 2013.

5. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to the owners of the Company	8,014	5,471
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	180,000,000	135,000,000
Effect of dilutive potential ordinary shares in respect of share options outstanding	427,998	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	180,427,998	N/A

The calculation of the weighted average number of shares outstanding during the three months ended 31 March 2013 has been adjusted for the effect of the Share Swap (as defined in Note 2 to 2013 Audited Financial Statements) and the Capitalisation Issue (as defined in Note 29 to 2013 Audited Financial Statements).

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group maintained its market position as one of the leading comprehensive architectural service providers in Hong Kong and the People's Republic of China (the "PRC").

During the three months ended 31 March 2014, the Group maintained a steady growth of 13.4% in revenue when compared with that in corresponding period of 2013, and secured 32 new contracts with contract sums of approximately HK\$147,000,000 in Hong Kong, the PRC and other markets. As at 31 March 2014, the Group had remaining contract sums of approximately HK\$1,115,000,000. Architecture, contributing 92.3% of the revenue, continued to be the mainstream of practice of the Group.

Besides architecture, the service of: (a) landscape architecture; (b) town planning; (c) interior design; and (d) heritage conservation maintained its stable contribution to revenue of the Group.

The proven track record and investment in latest technology put the Group in a strong position to take advantage of the business opportunities ahead, and reinforce its leading market position amid the intense competition.

Financial Review

Revenue

Revenue for the three months ended 31 March 2014 was HK\$81,901,000, when compared with that of HK\$72,222,000 in corresponding period of 2013, representing an increase of 13.4%. The increase was attributable by the growth in revenue generated by the provision of service of architecture, landscape architecture, town planning, interior design and heritage conservation over the period.

Cost of services

Cost of services for the three months ended 31 March 2014 amounted to HK\$56,928,000, when compared with that of HK\$51,341,000 in corresponding period of 2013, representing an increase of 10.9%. The increase was mainly driven by the rise in direct labour costs and overhead costs as a result of the expansion of the Group in the period.

Gross profit and gross profit margin

The gross profit for the three months ended 31 March 2014 amounted to HK\$24,973,000, when compared with that of HK\$20,881,000 in corresponding period of 2013, representing an increase of 19.6%.

The gross profit margin of the Group for the three months ended 31 March 2014 was 30.5%, which maintained stable when compared with the corresponding period of 2013.

Administrative expenses

Administrative expenses for the three months ended 31 March 2014 amounted to HK\$14,872,000, when compared with that of HK\$10,772,000 in corresponding period of 2013, representing an increase of 38.1%. The increase was mainly due to (i) a growth in staff costs as a result of an increase of average salary and; (ii) expenses on promotion of investor relations and professional fee on general legal and compliance advisory for listing matters in the period.

Profit

The profit for the three months ended 31 March 2014 was HK\$8,015,000, as compared to HK\$5,427,000 in corresponding period of 2013, representing an increase of 47.7%.

OUTLOOK

The Directors believe that the Group's accumulated experience, gathered in both design and project execution, is invaluable. Moreover, the effective application of experience and knowledge in the Group's multi-centre operations model will enhance the Group's market position and ensure its growth to remain sustainable. The Group is actively exploring further areas of expansion opportunities, such as high-end interior architecture, more branch offices, three-dimensional printing technology and joint ventures.

The Directors believe that the new establishments could help the Group to increase its capacity to undertake new clientele and for new business development. Taking the PRC and Hong Kong markets as a foundation, the Group has attached great importance to expanding its business to overseas markets stage by stage, in order to strengthen its network and increase its participation in the overseas market to strive for greater accomplishments.

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

As at 31 March 2014, the interests and short positions of the Directors and the chief executive in the shares, underlying shares or debentures 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 pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

(1) Long positions

Name of Director	Company/name of associated company	Nature of interest	Number of shares held	Approximate of percentage of shareholding
Liang Ronald	The Company	Interest in a controlled corporation	83,068,000	46.15%
	The Company	Beneficial interest	800,000 (Note 1)	0.44%
Fu Chin Shing	The Company	Interest in a controlled corporation	36,632,000	20.35%
	The Company	Beneficial interest	800,000 (Note 1)	0.44%
Wang Jun You	The Company	Interest in a controlled corporation	15,300,000	8.5%
	The Company	Beneficial interest	800,000 (Note 1)	0.44%
	The Company	Interest of spouse	100,000 (Note 2)	0.06%
	LWK Yiheng	Equity interest	-	1.00%
Lo Kin Nang	The Company	Beneficial interest	800,000 (Note 1)	0.44%
Ng Kwok Fai	The Company	Beneficial interest	800,000 (Note 1)	0.44%
He Xiao	The Company	Beneficial interest	800,000 (Note 1)	0.44%

Note: (1) These represent the shares to be issued and allotted by the Company upon exercise of the options granted under the pre-IPO share option scheme.

(2) Mr. Wang Jun You, being spouse of Ms. Li Min, is deemed to be interested in 100,000 shares held by Ms. Li under the SFO.

(2) Short positions

At 31 March 2014, none of the Directors or the chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as disclosed below, as at 31 March 2014, no person other than the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Long positions in the shares of the Company:

Name of Shareholder	Capacity	Total number of shares	Percentage of total issued share capital in the Company
Rainbow Path International Limited	Beneficial owner (Note 1)	75,868,000	42.15%
Veteran Ventures Limited	Beneficial owner (Note 1)	7,200,000	4.00%
Vivid Colour Limited	Beneficial owner (Note 2)	36,632,000	20.35%
Jun Ming Investments Limited	Beneficial owner (Note 3)	15,300,000	8.5%
Liang Sharon	Interest of spouse (Note 4)	83,868,000	46.59%
Chung Wai Chi, Connie	Interest of spouse (Note 5)	37,432,000	20.79%
Li Min	Interest of spouse (Note 6)	16,100,000	8.94%
	Beneficial owner (Note 7)	100,000	0.06%

Notes:

1. Rainbow Path International Limited and Veteran Ventures Limited are 100% owned by Mr. Liang Ronald.
2. Vivid Colour Limited is 100% owned by Mr. Fu Chin Shing.
3. Jun Ming Investments Limited is 100% owned by Mr. Wang Jun You.
4. Ms. Liang Sharon, being spouse of Mr. Liang Ronald, is deemed to be interested in the 83,868,000 shares held by Mr. Liang under the SFO.
5. Ms. Chung Wai Chi, Connie, being spouse of Mr. Fu Chin Shing, is deemed to be interested in the 37,432,000 shares held by Mr. Fu under the SFO.
6. Ms. Li Min, being spouse of Mr. Wang Jun You, is deemed to be interested in the 16,100,000 shares held by Mr. Wang under the SFO.
7. It represents the shares to be issued and allotted by the Company upon exercise of the options granted under the pre-IPO share option scheme.

SHARE OPTION SCHEMES

The Company operates two share option schemes providing incentives or rewards to eligible persons of the Group for their contribution to the Group, including a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme"). Details of these two share options schemes have been set out in the Company's 2013 annual report. The movement during the period and the options outstanding as at 31 March 2014 were as follows:

Pre-IPO Share Option Scheme

	As at 1 January 2014	Granted	Lapsed	Exercise	As at 31 March 2014	Exercise price	Exercise period
Directors							
Liang Ronald	800,000	-	-	-	800,000	0.83	Note 1
Fu Chin Shing	800,000	-	-	-	800,000	0.83	Note 1
Wang Jun You	800,000	-	-	-	800,000	0.83	Note 1
Lo Kin Nang	800,000	-	-	-	800,000	0.83	Note 1
Ng Kwok Fai	800,000	-	-	-	800,000	0.83	Note 1
He Xiao	800,000	-	-	-	800,000	0.83	Note 1
	4,800,000	-	-	-	4,800,000		
Others							
Employees	7,725,000	-	-	-	7,725,000	0.83	Note 2
	12,525,000	-	-	-	12,525,000		

Note 1: The share options can be exercised from the third anniversary date of the Listing Date to the fourth anniversary date of the Listing Date (both dates inclusive).

Note 2: The share options can be exercised from the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive).

Share Option Scheme

During the three months ended 31 March 2014, there is no option granted under the Share Option Scheme.

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

During the three months ended 31 March 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTOR'S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the GEM 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 three months ended 31 March 2014.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of provisions of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with such code of conduct and the required standard of dealings regarding securities transactions by the Directors during the three months ended 31 March 2014.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rule during the three months ended 31 March 2014.

INTERESTS OF THE COMPLIANCE ADVISER

As at 31 March 2014, as notified by the Company's compliance adviser, China Everbright Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 16 December 2013, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive Directors, namely Mr. Lo Wai Hung, Mr. Wang Julius and Mr. Yu Chi Hang and has adopted terms of reference governing the authorities and duties of the audit committee. 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 three months ended 31 March 2014.

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

Hong Kong, 8 May 2014

As at the date of this report, the executive Directors are Mr. Liang Ronald, Mr. Fu Chin Shing, Mr. Wang Jun You, Mr. Lo Kin Nang, Mr. Ng Kwok Fai and Mr. He Xiao, and the independent non-executive Directors are Mr. Lo Wai Hung, Mr. Wang Julius and Mr. Yu Chi Hang.