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C CHENG HOLDINGS LIMITED

思城控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1486)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 (“**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

		Six months ended 30 June	
	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	319,133	301,963
Cost of services		(248,466)	(215,739)
Gross profits		70,667	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, net of reversal	5	(240)	(800)
Administrative expenses		(57,317)	(54,037)
Finance costs		(3,549)	(769)
(Loss) profit before taxation	6	(4,662)	32,276
Income tax expense	7	(3,976)	(6,825)
(Loss) profit for the period		(8,638)	25,451
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operation		(464)	(1,961)
Fair value gain (loss) on debt instruments at fair value through other comprehensive income		2,327	(3,430)
Other comprehensive income (expense) for the period (net of tax)		1,863	(5,391)
Total comprehensive (expense) income for the period		(6,775)	20,060
(Loss) profit for the period attributable to:			
Owners of the Company		(9,865)	23,603
Non-controlling interests		1,227	1,848
		(8,638)	25,451
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(7,833)	18,201
Non-controlling interests		1,058	1,859
		(6,775)	20,060
(Loss) earnings per share (expressed in HK cents)	8		
– Basic		(3.4)	8.2
– Diluted		(3.4)	8.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
	Notes		
Non-current assets			
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 other comprehensive income		22,732	20,456
Rental and utility deposits		10,906	10,983
Deferred tax assets		727	998
		214,043	137,057
Current assets			
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
		533,061	530,979
Current liabilities			
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
		248,139	214,037
Net current assets		284,922	316,942
Total assets less current liabilities		498,965	453,999
Non-current liabilities			
Lease liabilities		52,842	–
Deferred tax liabilities		2,052	3,262
		54,894	3,262
Net assets		444,071	450,737
Capital and reserves			
Issued capital	15	2,883	2,883
Reserves		409,379	418,984
Equity attributable to owners of the Company		412,262	421,867
Non-controlling interests		31,809	28,870
Total equity		444,071	450,737

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	PRC Statutory reserve HK\$'000 (Note a)	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Other reserve HK\$'000 (Note b)	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	
At 1 January 2018 (audited)	2,883	283,501	5,765	3,313	(1,042)	(46,389)	186	147,356	395,573	412,283
Profit for the period	-	-	-	-	-	-	-	23,603	23,603	25,451
Exchange differences arising on translation	-	-	-	-	-	-	(1,972)	-	(1,972)	(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	20,060
Capital injection shared by non-controlling interests	-	-	-	-	-	-	-	-	6,997	6,997
Recognition of equity-settled share-based payments	-	-	-	3,723	-	-	-	3,723	-	3,723
Lapse of share options	-	-	-	(92)	-	-	-	92	-	-
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	431,533
At 1 January 2019 (audited)	2,883	283,501	6,267	11,133	(2,520)	(46,389)	(6,685)	173,677	421,867	450,737
(Loss) profit for the period	-	-	-	-	-	-	-	(9,865)	(9,865)	(8,638)
Exchange differences arising on translation	-	-	-	-	-	-	(295)	-	(295)	(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)	(6,775)
Acquisition of non-controlling interests (note c)	-	-	-	-	-	(1,360)	-	-	(1,360)	-
Recognition of equity-settled share-based payments	-	-	-	5,353	-	-	-	-	5,353	5,874
Lapse of share options	-	-	-	(139)	-	-	-	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	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)
Operating activities		
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)
Net cash used in operating activities	(28,212)	(48,881)
Investing activities		
Purchases of property, plant and equipment	(8,195)	(3,315)
Other investing cash flows	1,249	1,134
Net cash used in investing activities	(6,946)	(2,181)
Financing activities		
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)
Net cash from financing activities	17,426	15,516
Net decrease in cash and cash equivalents	(17,732)	(35,546)
Cash and cash equivalents at beginning of the period	182,104	233,807
Effect of foreign exchange rate changes	253	(447)
Cash and cash equivalents at end of the period, represented by bank balances and cash	164,625	197,814

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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases – continued

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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

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%.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases – continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – continued

As a lessee – continued

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

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

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

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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases – continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – continued

As a lessee – continued

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.

	Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	23,129	88,884	112,013
Rental and utility deposits	10,983	(833)	10,150
Current liabilities			
Lease liabilities	–	35,430	35,430
Non-current liabilities			
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 architectural services <i>HK\$'000</i>	BIM services <i>HK\$'000</i>	Reportable segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
Architecture services	238,546	–	238,546	–	238,546
Landscape architecture, town planning, interior design and heritage 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)	–
Total	293,819	30,767	324,586	(5,453)	319,133
Segment results					
Reportable segment results	11,096	4,895	15,991	(2,995)	12,996
Reconciliation					
Unallocated other income					2,561
Gain on fair value changes of financial assets at fair value through profit or loss (“ FVTPL ”)					2,276
Impairment loss on goodwill					(16,633)
Impairment loss on intangible assets					(2,385)
Other unallocated corporate expenses					(3,477)
Group’s losses before taxation					(4,662)

3. REVENUE AND SEGMENT INFORMATION – continued

For the six months ended 30 June 2018

	Comprehensive architectural services HK\$'000	BIM services HK\$'000	Reportable segment total HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue					
Architecture services	241,642	–	241,642	–	241,642
Landscape architecture, town planning, interior design and heritage 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
Segment results					
Reportable segment results	30,201	5,395	35,596	–	35,596
Reconciliation					
Unallocated other income					2,134
Loss on fair value changes in contingent consideration payable					(197)
Other unallocated corporate expenses					(5,257)
Group's profit before 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.

3. REVENUE AND SEGMENT INFORMATION – continued

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 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
	<u>319,133</u>	<u>301,963</u>	<u>147,135</u>	<u>74,125</u>

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	<u>206</u>	<u>(128)</u>
	<u>240</u>	<u>800</u>

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

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

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
	<u>4,986</u>	<u>7,107</u>
Deferred tax:		
Current period	<u>(1,010)</u>	<u>(282)</u>
	<u>3,976</u>	<u>6,825</u>

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.

7. INCOME TAX EXPENSE – continued

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	<u>(9,865)</u>	<u>23,603</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	288,261,000	288,261,000
Effect of dilutive potential ordinary shares in respect of share options outstanding	<u>–</u>	<u>4,180,000</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>288,261,000</u>	<u>292,441,000</u>

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:

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

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

12. CONTRACT ASSETS

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

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:

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

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 HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 January 2018, 31 December 2018 and 30 June 2019	1,000,000,000	10,000
Issued and paid up		
At 1 January 2018, 31 December 2018 and 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 30 June 2019 HK\$'000	30 December 2018 HK\$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobserved inputs
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

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Current assets	533,061	530,979
Current liabilities	248,139	214,037
Current ratio	2.15	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 ^(Note 1)	2.42%
Mr. Liu Gui Sheng	The Company	Beneficial interest	7,000,000 ^(Note 1)	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 ^(Note 1)	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 ^(Note 1)	1.38%
	The Company	Interest of spouse	200,000 ^(Note 3)	0.06%
	The Company	Interest of spouse	600,000 ^(Note 1)	0.20%
Mr. Liu Yong	The Company	Beneficial interest	2,000,000 ^(Note 1)	0.69%
Mr. Ma Kwai Lam Lambert	The Company	Beneficial interest	250,000	0.08%
	The Company	Beneficial interest	2,000,000 ^(Note 1)	0.69%

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 (<i>Note 1</i>)	79,473,780	27.57%
BMEDI	Interested in a controlled corporation (<i>Note 1</i>)	79,473,780	27.57%
Beijing Design Group Company Limited	Beneficial owner (<i>Note 1</i>)	79,473,780	27.57%
Rainbow Path International Limited	Beneficial owner (<i>Note 2</i>)	62,198,000	21.57%
Veteran Ventures Limited	Beneficial owner (<i>Note 2</i>)	7,200,000	2.49%
Vivid Colour Limited	Beneficial owner (<i>Note 3</i>)	25,662,000	8.90%
Jun Ming Investments Limited	Beneficial owner (<i>Note 4</i>)	12,940,000	4.48%
Ms. Liang Sharon	Interest of spouse (<i>Note 5</i>)	82,670,000	28.67%
Ms. Chung Wai Chi, Connie	Interest of spouse (<i>Note 6</i>) Beneficial owner	39,986,000 298,000	13.87% 0.10%
Ms. Li Min	Interest of spouse (<i>Note 7</i>) Beneficial owner (<i>Note 8</i>)	18,390,000 800,000	6.37% 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
Executive Directors								
– 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)
			<u>46,800,000</u>	<u>–</u>	<u>–</u>	<u>(390,000)</u>	<u>46,410,000</u>	

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) and the Company (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 announcement, the executive Directors are Mr. Liang Ronald, Mr. Liu Gui Sheng, Mr. Fu Chin Shing, Mr. Wang Jun You, Mr. Liu Yong and Mr. Ma Kwai Lam Lambert, and the independent non-executive Directors are Mr. Yu Chi Hang, Mr. Lo Wai Hung and Ms. Su Ling.