



思城控股有限公司

C CHENG HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock code: 8320



2014 INTERIM 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 six months ended 30 June 2014, the unaudited financial results of the Group were as follows:

- Revenue reached HK\$183,584,000 (2013: HK\$148,508,000), representing an increase of 23.6% from the same period of previous financial year;
- Profit was HK\$14,890,000, as compared to HK\$7,828,000 in the same period of previous financial year, representing an increase of 90.2%;
- Basic earnings per share based on weighted average number of ordinary shares of approximately 180,000,000 (six months ended 30 June 2013: 135,000,000) in issue was HK8.2 cents (six months ended 30 June 2013: HK3.7 cents);
- Diluted earnings per share based on weighted average number of ordinary shares of approximately 180,277,000 in issue was HK8.2 cents (six months ended 30 June 2013: N/A); and
- No interim dividend was declared.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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 six months ended 30 June 2014, together with the comparative unaudited figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Revenue	3	101,683	76,286	183,584	148,508
Cost of services		(70,286)	(53,884)	(127,214)	(105,225)
Gross profits		31,397	22,402	56,370	43,283
Other income		49	14	211	46
Other gains and losses		(1,314)	319	(1,166)	1,542
Administrative expenses		(18,447)	(13,208)	(33,319)	(23,980)
Listing expenses		-	(3,541)	-	(7,081)
Finance costs		(19)	(40)	(43)	(74)
Profit before taxation	4	11,666	5,946	22,053	13,736
Income tax expense	5	(4,791)	(3,545)	(7,163)	(5,908)
Profit for the period		6,875	2,401	14,890	7,828
Other comprehensive income (expense)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation		35	(451)	(866)	600
Total comprehensive income for the period		6,910	1,950	14,024	8,428

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Profit (loss) for the period attributable to:					
Owners of the Company		6,801	(418)	14,815	5,053
Non-controlling interests		74	2,819	75	2,775
		6,875	2,401	14,890	7,828
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		6,834	(772)	13,951	5,624
Non-controlling interests		76	2,722	73	2,804
		6,910	1,950	14,024	8,428
Earnings (loss) per share (expressed in HK cents)					
	6				
- Basic		3.8	[0.3]	8.2	3.7
- Diluted		3.8	N/A	8.2	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	18,625	13,561
Goodwill		4,905	4,899
Intangible assets		1,461	2,094
Rental and utility deposits		6,530	4,106
Deferred tax assets		1,018	12
		32,539	24,672
Current assets			
Held for trading investments		508	521
Amounts due from customers for contract work		126,870	126,616
Progress billings receivable from contract customers	9	82,708	78,813
Prepayments and other receivables		4,628	9,564
Pledged bank deposits		2,545	2,545
Bank balances and cash		47,713	56,410
		264,972	274,469
Current liabilities			
Trade payables	10	6,165	6,019
Accruals and other payables		52,492	64,777
Amounts due to customers for contract work		108,987	112,584
Amount due to a director	11	–	2,030
Amount due to a non-controlling shareholder	12	942	–
Obligations under finance leases		323	323
Income tax payable		9,616	6,308
Bank overdraft		–	1,111
		178,525	193,152
Net current assets		86,447	81,317
Total assets less current liabilities		118,986	105,989

		At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Non-current liabilities			
Obligations under finance leases		864	1,022
Deferred tax liabilities		1,717	3,237
		2,581	4,259
Net assets			
		116,405	101,730
Capital and reserves			
Issued capital	13	1,800	1,800
Reserves		114,377	99,777
Equity attributable to owners of the Company		116,177	101,577
Non-controlling interests		228	153
Total equity			
		116,405	101,730

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company								Non-controlling interests	Total
	Issued capital	Share premium	Statutory reserve	Share option reserve	Other reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	(Note a) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013 (audited)	1,020	-	2,165	-	336	6,733	43,988	54,242	2,370	56,612
Profit for the period	-	-	-	-	-	-	5,053	5,053	2,775	7,828
Exchange differences arising on translation	-	-	-	-	-	571	-	571	29	600
Total comprehensive income for the period	-	-	-	-	-	571	5,053	5,624	2,804	8,428
Acquisition of LWK Design (Macau) Limited (Note b)	(20)	-	-	-	94	-	-	74	(103)	(29)
Recognition of equity-settled share-based payments (Note c)	-	-	-	-	5,210	-	-	5,210	-	5,210
At 30 June 2013 (audited)	1,000	-	2,165	-	5,640	7,304	49,041	65,150	5,071	70,221
At 1 January 2014 (audited)	1,800	83,682	2,826	114	(47,070)	7,920	52,305	101,577	153	101,730
Profit for the period	-	-	-	-	-	-	14,815	14,815	75	14,890
Exchange differences arising on translation	-	-	-	-	-	(864)	-	(864)	(2)	(866)
Total comprehensive (expense) income for the period	-	-	-	-	-	(864)	14,815	13,951	73	14,024
Recognition of equity-settled share-based payments	-	-	-	649	-	-	-	649	-	649
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	2	2
At 30 June 2014 (unaudited)	1,800	83,682	2,826	763	(47,070)	7,056	67,120	116,177	228	116,405

- Note 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.
- Note b: On 11 June 2013, LWK & Partners (HK) Limited ("LWK Hong Kong") and LWK Conservation Limited ("LWK Conservation"), both wholly owned subsidiaries of the Company, acquired the entire quota capital of LWK Design (Macau) Limited ("LWK Macau") from Mr. Ronald Liang ("Mr. Liang") and Mr. Fu Chin Shing ("Mr. Fu") at a cash consideration of MOP30,000 (equivalent to approximately HK\$29,000). Other reserve represents (i) the difference between the consideration and the attributable net assets of LWK Macau at the date of transfer and; (ii) the transfer of the quota capital of LWK Macau attributable to owners of the Company. After the acquisition, LWK Macau became a wholly owned subsidiary of LWK Hong Kong.
- Note c: On 10 June 2013, Mr. Liang and Mr. Fu transferred 79,310 and 33,990 shares of LWK Hong Kong (representing, in aggregate, 11.33% of the entire issued share capital of LWK Hong Kong), respectively, to Mr. Wang Jun You ("Mr. Wang") for a total consideration of HK\$8.28 million. The amount of HK\$5,210,000 recognised in other reserve represents the effect of the share based payment to Mr. Wang estimated by reference to difference between the consideration and the fair value of the 11.33% of LWK Hong Kong at the date of transfer.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended	
	30 June	30 June
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Net cash from (used in) operating activities	1,688	[14,360]
Net cash (used in) from investing activities	(7,511)	1,196
Net cash used in financing activities	(1,244)	(255)
Net decrease in cash and cash equivalents	(7,067)	[13,419]
Cash and cash equivalents at the beginning of the period	55,299	29,054
Effect of foreign exchange rate changes	(519)	191
Cash and cash equivalents at the end of the period	47,713	15,826
Represented by:		
Bank balances and cash	47,713	18,049
Bank overdraft	-	[2,223]
	47,713	15,826

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 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 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 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 Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

As more fully explained in the Company's audited financial statements for the year ended 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income for the three months and six months ended 30 June 2013 and certain explanatory notes have been prepared as if the current group structure had been in existence for the three months and six months ended 30 June 2013, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group, where this is a shorter period. The condensed consolidated statement of financial position of the Group as at 30 June 2013 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence on that date.

The condensed consolidated financial statements have 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 condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the new interpretation and amendments in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

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

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the contract revenue for comprehensive architectural service recognised during the period.

The Group has only one single operating segment of provision of comprehensive architectural service. The Group's chief operating decision maker (the Chief Executive Officer of the Group) regularly reviews the consolidated results of the Group as a whole for the purposes of resource allocation and assessment of performance.

Revenue from Major Services

The following is an analysis of the Group's revenue from its major services:

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Architecture	97,573	70,520	173,198	137,951
Landscape architecture, town planning, interior design and heritage conservation	4,110	5,766	10,386	10,557
	101,683	76,286	183,584	148,508

4. PROFIT BEFORE TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Profit before taxation has been arrived at after charging:				
Depreciation of property, plant and equipment	1,391	1,148	2,322	2,032
Amortisation of intangible assets (Note 1)	296	300	599	597
Operating lease payments (Note 2)	4,751	2,882	8,625	6,475
Staff costs				
– Salaries allowances and other benefits	66,389	48,819	113,464	84,241
– Operating lease payments	192	252	384	478
– Contributions to retirements benefits	1,829	1,072	3,465	2,458
– Equity-settled share-based payments	324	5,210	649	5,210
Total staff costs (including director's emoluments)	68,734	55,353	117,962	92,387

Note 1: Included in cost of services.

Note 2: For the six months ended 30 June 2014, the amount includes the operating lease payments for staff quarters approximately amounting to HK\$384,000 (six months ended 30 June 2013: HK\$478,000), which are included in the total staff costs.

5. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
The income tax expense comprises:				
Current tax:				
Hong Kong Profits Tax	(680)	(486)	-	1,632
PRC Enterprise Income Tax ("EIT")	8,205	5,267	9,639	6,179
	7,525	4,781	9,639	7,811
Deferred tax:				
Current period	(2,734)	(1,236)	(2,476)	(1,903)
	4,791	3,545	7,163	5,908

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for taxation in Hong Kong has been made for the six months ended 30 June 2014 as there is no assessable profit generated in Hong Kong.

According to Sui Yue Guo Shui Jian Bei (穗越國稅減備) [2013] 100136, the tax rate of 廣州梁黃顧建築有限公司 ("LWK Guangzhou"), a wholly owned subsidiary of the Company, is 20% on one-half of the profit chargeable to EIT for the six months ended 30 June 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 梁黃顧設計顧問(深圳)有限公司 ("LWK Shenzhen"), a wholly owned subsidiary of the Company, and 深圳市梁黃顧藝恒建築設計有限公司 ("LWK Yiheng") is 25% for the six months ended 30 June 2014 and 2013.

6. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Earnings:				
Earnings (loss) for the purposes of basic and diluted earnings per share:				
Profit (loss) for the period attributable to the owners of the Company	6,801	(418)	14,815	5,053
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	180,000,000	135,000,000	180,000,000	135,000,000
Effect of dilutive potential ordinary shares in respect of share options outstanding	12,345	N/A	277,050	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	180,012,345	N/A	180,277,050	N/A

The calculation of the weighted average number of shares outstanding during the three months and the six months ended 30 June 2014 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).

No diluted earnings per share is presented for the three months and six months ended 30 June 2013 as there were no potential ordinary shares outstanding during the period.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired equipment and leasehold improvement of approximately HK\$7,586,000 (2013: HK\$2,493,000).

9. PROGRESS BILLINGS RECEIVABLE FROM CONTRACT CUSTOMERS

The following is an aged analysis of progress billings receivable, presented based on the invoice date at the end of each reporting period, and net of allowance recognised:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 30 days	24,656	27,603
Over 30 days and within 90 days	30,281	33,521
Over 90 days and within 180 days	10,957	5,506
Over 180 days	16,814	12,183
	82,708	78,813

10. TRADE PAYABLES

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

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 30 days	2,429	4,469
Over 30 days and within 90 days	2,639	577
Over 90 days	1,097	973
	6,165	6,019

11. AMOUNT DUE TO A DIRECTOR

The amount was unsecured, interest free and repayable on demand. The amount was fully settled during the period.

12. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The amount is unsecured, interest free and repayable on demand.

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 13 May 2013 (date of incorporation) (Note 1)	38,000,000	380
Increase on 5 December 2013 (Note 2)	962,000,000	9,620
At 31 December 2013 and 30 June 2014	1,000,000,000	10,000
Issued and paid up		
At 13 May 2013 (date of incorporation) (Note 1)	1	–
Issue under Share Swap (Note 3)	37,999,999	380
Issue of new shares upon listing (Note 4)	45,000,000	450
Capitalisation Issue (Note 5)	97,000,000	970
At 31 December 2013 and 30 June 2014	180,000,000	1,800

Note 1: On 13 May 2013, the Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, with one fully paid share issued to the initial subscriber. On the same day, the subscriber share was transferred to Rainbow Path International Limited.

Note 2: Pursuant to the written resolutions passed by the shareholders on 5 December 2013, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$10,000,000 divided into 1,000,000,000 ordinary shares by the creation of additional 962,000,000 new ordinary shares which shall, when issued and paid, rank pari passu in all respects with the existing issued ordinary shares (other than participation in the capitalisation issue).

Note 3: Pursuant to the share swap agreement dated 5 December 2013 entered into amongst Mr. Liang, Mr. Fu, Mr. Wang and Rich World Services Limited (owned by Mr. Liang and Mr. Fu) (the "Transferors"), the Company and Helffrich Ventures Limited, the Transferors agreed to transfer the entire issued share capital in LWK Hong Kong to the Company (to be held through Helffrich Ventures Limited) in consideration of and in exchange for the issue by the Company of 21,355,999 ordinary shares to Rainbow Path International Limited (investment holding company set by Mr. Liang), 10,313,200 ordinary shares to Vivid Colour Limited (investment holding company set by Mr. Fu), 4,305,400 ordinary shares to Jun Ming Investments Limited (investment holding company set by Mr. Wang), and 2,025,400 ordinary shares to Veteran Ventures Limited (investment holding company set by Mr. Liang) credited as fully paid, respectively.

Note 4: On 19 December 2013, the Company placed 45,000,000 shares at HK\$0.83 per share for a total gross proceeds of HK\$37,350,000. The proceeds will be used to finance the implementation of the business plans as set forth in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 16 December 2013 (the "Prospectus").

Note 5: On 20 December 2013, a sum of HK\$970,000 standing to the credit of the share premium account of the Company was capitalised by applying such sum in paying up in full a total of 97,000,000 shares (the "Capitalisation Issue").

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

The held for trading investments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of the held for trading investments are determined (in particular, the valuation technique used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2014 HK\$'000	31 December 2013 HK\$'000		
Held for trading investments				
– unlisted trading fund in the PRC	508	521	Level 2	Quoted price from issuing financial institution

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

15. PLEDGE OF ASSETS

The Group has pledged short-term bank deposits with an aggregate carrying amount of HK\$2,545,000 (As at 31 December 2013: HK\$2,545,000) to banks to secure bank overdraft granted to the Group.

16. RELATED PARTY TRANSACTIONS

- (1) During the period ended 30 June 2013, Mr. Liang, the controlling shareholder and a director of the Company, provided personal guarantee to secure the bank overdraft of the Group. The personal guarantee to secure the bank overdraft of the Group is released during the year ended 31 December 2013.
- (2) On 11 June 2013, LWK Hong Kong and LWK Conservation, both wholly owned subsidiaries of the Company, acquired the entire quota capital of LWK Macau from Mr. Liang and Mr. Fu at a cash consideration of MOP30,000 (equivalent approximately to HK\$29,000). Details are set out in Note (b) to the condensed consolidated statement of changes in equity.
- (3) On 10 June 2013, Mr. Liang and Mr. Fu transferred 79,310 and 33,990 shares of LWK Hong Kong (representing, in aggregate, 11.33% of the entire issued share capital of LWK Hong Kong), respectively, to Mr. Wang for a total consideration of HK\$8.28 million. Details are set out in Note (c) to the condensed consolidated statement of changes in equity.
- (4) On 21 June 2013, LWK Hong Kong entered into equity transfer agreement with Mr. Wang to acquire additional 24% interest in LWK Yiheng, a non-wholly owned subsidiary of the Group, for a cash consideration of RMB2,830,000 (equivalent to approximately HK\$3,596,000). The acquisition was completed on 28 August 2013.

17. COMMITMENTS

As at 30 June 2014, the Group was committed to acquire some property, plant and equipment of HK\$2,090,000 (31 December 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 PRC.

During the six months ended 30 June 2014, the Group maintained a steady growth of 23.6% in revenue when compared with that in corresponding period of 2013, and secured 55 new contracts with contract sums of approximately HK\$189,000,000 in Hong Kong, the PRC and other markets. As at 30 June 2014, the Group had remaining contract sums of approximately HK\$977,000,000. Architecture, contributing 94.2% 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 six months ended 30 June 2014 was HK\$183,584,000, when compared with that of HK\$148,508,000 in corresponding period of 2013, representing an increase of 23.6%. 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 six months ended 30 June 2014 amounted to HK\$127,214,000, when compared with that of HK\$105,225,000 in corresponding period of 2013, representing an increase of 20.9%. The increase was 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 six months ended 30 June 2014 amounted to HK\$56,370,000, when compared with that of HK\$43,283,000 in corresponding period of 2013, representing an increase of 30.2%.

The gross profit margin of the Group for the six months ended 30 June 2014 was 30.7%, which maintained stable when compared with the corresponding period of 2013.

Administrative expenses

Administrative expenses for the six months ended 30 June 2014 amounted to HK\$33,319,000, when compared with that of HK\$23,980,000 in corresponding period of 2013, representing an increase of 38.9%. The increase was mainly due to (i) a growth in staff costs as a result of an increase of average salary and headcount 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 six months ended 30 June 2014 was HK\$14,890,000, as compared to HK\$7,828,000 in corresponding period of 2013, representing an increase of 90.2%.

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 remains sustainable. The Group had established a 3D printing technology company. The Group is actively exploring further areas of expansion opportunities, such as 5-star high-end hospitality interior design service and theme entertainment design service, more branch offices and joint ventures.

The Directors believe that the new establishments could help the Group to increase the 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 the network and increase our participation in the overseas market to strive for greater accomplishments.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Current assets	264,972	274,469
Current liabilities	178,525	193,152
Current ratio	1.5x	1.4x

The current ratio of the Group at 30 June 2014 was 1.5 times as compared to that of 1.4 times at 31 December 2013. It was mainly resulted from a decrease in accruals and other payables with settlement of accrued bonus for 2013 during the period.

At 30 June 2014, the Group had total bank balances and cash and pledged bank deposits of HK\$50,258,000 (31 December 2013: HK\$58,955,000). The unutilised bank overdraft is HK\$2,380,000 (31 December 2013: HK\$1,269,000) as at 30 June 2014.

At 30 June 2014, the Group's gearing ratio (represented by amount due to a director, amount due to a non-controlling shareholder, obligations under finance leases and bank overdraft divided by equity) amounted to approximately 1.8% (31 December 2013: 4.4%).

The Group's borrowings 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.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2014.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group employed around 626 (30 June 2013: 532) employees.

Employees are remunerated according to nature of the job, market trend, and individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned.

The Group offers competitive remuneration and benefit package to our employees. Our employee benefits include mandatory provident fund, employee pension schemes in the PRC, medical coverage, insurance, training and development programs and options that were granted or may be granted under the pre-IPO share option scheme and share option scheme both of which were approved by the shareholders of the Company on 5 December 2013.

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus for the period from 8 December 2013, being the latest practicable date as defined in the Prospectus, to 30 June 2014 (the "Review Period") with the Group's actual business progress is set out below:

Business objectives for the Review Period

Actual Business Progress up to 30 June 2014

1. To enhance the Group's information technology infrastructure

- invest resources to build up the design information management platform, cost management system, building information modelling system and three-dimensional ("3D") printing technology
- A team on building information modeling (BIM) had been set up and performing pilot runs to integrate BIM with 3D printing with promising results

Business objectives for the Review Period

Actual Business Progress up to 30 June 2014

2. To carry out marketing activities in the PRC

- organise design forums, seminars or conferences with academic institutions or professional bodies/associations in order to promote the Group's "Go Green" building design idea continuously
- carry out design exhibitions in first tier cities in the PRC

3. To expand the Group's offices and teams

- set up offices for the operations of landscape architecture, town planning and interior design to cater for our potential growth of these three practice areas
- expand and transform the current offices in first tier cities in the PRC to regional offices

- Cost management system was in the progress of enhancing. Data collection for the design information management platform was also in progress

- The Group's delegation attended the 10th International Conference on Green and Energy Efficient Building & New Technologies and Products Expo in Beijing in late March 2014
- The Group participated as an exhibitor in Bi-City Biennale of Urbanism\Architecture
- LWK & Partners (HK) Limited was appointed as a curator for Venice Biennale International Architecture Exhibition 2014. Media coverage was being continuously generated since April 2014
- LWK & Partners (HK) Limited was registered to exhibit in IAAPA Asian Attraction Expo 2014 opened in Beijing in June 2014

- Hong Kong office was expanded for the operations of landscape architecture, town planning and interior design
- Development of new consultancy services of photogrammetry, cartographic survey and 3D imaging was in progress
- Shenzhen, Shanghai and Guangzhou offices were expanded with office safe and facilities
- Chengdu office was enhanced

USE OF PROCEEDS

During the six months ended 30 June 2014, the net proceeds from the Placing had been applied as follows:

	Planned use of proceeds (adjusted with final placing price) as stated in the Prospectus during the period from Listing Date to 30 June 2014	Actual use of proceeds during the six months ended 30 June 2014
	HK\$ million	HK\$ million
To enhance our information technology infrastructure		
• Design Information	0.9	0.6
• Cost Control/Resources Management	0.7	0.4
• BIM/3D Printing	0.5	0.7
To carry out marketing activities in the PRC	0.5	0.9
To expand our offices and teams	1.9	5.2

Notes:

- The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.
- The unused net proceeds as at 30 June 2014 have been placed as interest bearing deposits with licensed bank in Hong Kong.
- Actual use of proceed on expansion of our office and teams was higher than planned use of proceed because the Group has speeded up its development by setting up and expanding several offices in the PRC during the period.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 20 December 2013. There has been no change in the capital structure of the Group since the Listing Date and up to the date of this report. The capital of the Group only comprises of ordinary shares.

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 2014, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

MATERIAL ACQUISITIONS AND DISPOSALS

Pursuant to the Reorganisation in preparation of the Listing, the Company became the holding company of the Group formed after the completion of the Reorganisation. Details of the Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix IV to the prospectus of the Company dated 16 December 2013.

Save as aforesaid, during the six months ended 30 June 2014, the Group had no material acquisitions and disposals of subsidiaries.

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

As at 30 June 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%

Name of Director	Company/ name of associated company	Nature of interest	Number of shares held	Approximate of percentage of shareholding
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%

Notes: (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 30 June 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 30 June 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) Beneficial owner (Note 7)	16,100,000 100,000	8.94% 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 Chin Shing 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 30 June were as follows:

Pre-IPO Share Option Scheme

	As at 1 January 2014	Granted	Lapsed	Exercise	As at 30 June 2014	Exercise price	Exercise period
Directors							
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 six months ended 30 June 2014, there is no option granted under the Share Option Scheme.

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTOR'S INTERESTS IN CONTRACTS

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 at 30 June 2014 or at any time during the six months ended 30 June 2014.

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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2014.

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 June 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 six months ended 30 June 2014.

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

Hong Kong, 7 August 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.