



思城控股有限公司

C CHENG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1486



2016

Interim Report

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2016, the unaudited financial results of the Group were as follows:

- Revenue reached HK\$165,084,000 (2015: HK\$181,883,000), representing a decrease of 9.2% from the same period of previous financial year;
- Profit for the period was HK\$11,480,000 (2015: HK\$14,461,000);
- Basic earnings per share based on weighted average number of ordinary shares of 193,722,000 (six months ended 30 June 2015: 180,000,000) in issue was HK6.0 cents (six months ended 30 June 2015: HK8.3 cents);
- Diluted earnings per share based on weighted average number of ordinary shares of approximately 196,845,000 (six months ended 30 June 2015: 186,942,000) in issue was HK5.9 cents (six months ended 30 June 2015: HK8.0 cents); and
- No interim dividend was declared.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016, together with the comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
	Notes	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	165,084	181,883
Cost of services		(116,527)	(129,560)
Gross profits		48,557	52,323
Other income		154	448
Other gains and losses		(1,108)	212
Administrative expenses		(33,552)	(33,849)
Transfer of listing expenses		-	(1,500)
Finance costs		(19)	(41)
Profit before taxation	4	14,032	17,593
Income tax expense	5	(2,552)	(3,132)
Profit for the period		11,480	14,461
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation		(1,177)	46
Total comprehensive income for the period		10,303	14,507

		Six months ended	
		30 June	
	Notes	2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		11,616	14,868
Non-controlling interests		(136)	(407)
		11,480	14,461
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		10,449	14,914
Non-controlling interests		(146)	(407)
		10,303	14,507
Earnings per share			
(expressed in HK cents)	6		
– Basic		6.0	8.3
– Diluted		5.9	8.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	14,767	17,959
Goodwill		21,096	21,196
Intangible assets		1,507	1,592
Rental and utility deposits		5,690	5,720
Deferred tax assets		928	390
		43,988	46,857
Current assets			
Held for trading investments		740	757
Amounts due from customers for contract work		151,043	146,164
Progress billings receivable from contract customers	9	128,758	105,523
Prepayments and other receivables		6,966	3,091
Pledged bank deposits		–	2,546
Bank balances and cash		52,278	58,116
		339,785	316,197
Current liabilities			
Trade payables	10	3,459	3,567
Accruals and other payables		50,806	55,254
Amounts due to customers for contract work		130,518	114,901
Obligations under finance leases		382	370
Income tax payable		6,553	5,606
		191,718	179,698
Net current assets		148,067	136,499
Total assets less current liabilities		192,055	183,356

		At 30 June	At 31 December
		2016	2015
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Obligations under finance leases		113	306
Deferred tax liabilities		2,147	2,719
		2,260	3,025
Net assets			
		189,795	180,331
Capital and reserves			
Issued capital	11	1,941	1,936
Reserves		188,269	178,744
Equity attributable to owners of the Company		190,210	180,680
Non-controlling interests		(415)	(349)
Total equity			
		189,795	180,331

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Attributable to owners of the Company

	Issued capital HK\$'000	Share premium HK\$'000	Statutory reserve (Note a) HK\$'000	Share option reserve HK\$'000	Other reserve (Note b) HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	1,800	83,682	3,331	1,412	(47,070)	6,786	80,598	130,539	(350)	130,189
Profit for the period	-	-	-	-	-	-	14,868	14,868	(407)	14,461
Exchange differences arising on translation	-	-	-	-	-	46	-	46	-	46
Total comprehensive income (expense) for the period	-	-	-	-	-	46	14,868	14,914	(407)	14,507
Transfer to statutory reserve	-	-	1,090	-	-	-	(1,090)	-	-	-
Recognition of equity-settled share-based payments	-	-	-	563	-	-	-	563	-	563
Transfer upon lapse of share options	-	-	-	(166)	-	-	166	-	-	-
At 30 June 2015 (unaudited)	1,800	83,682	4,421	1,809	(47,070)	6,832	94,542	146,016	(757)	145,259
At 1 January 2016 (audited)	1,936	107,471	4,413	2,423	(47,070)	4,142	107,365	180,680	(349)	180,331
Profit for the period	-	-	-	-	-	-	11,616	11,616	(136)	11,480
Exchange differences arising on translation	-	-	-	-	-	(1,167)	-	(1,167)	(10)	(1,177)
Total comprehensive income (expense) for the period	-	-	-	-	-	(1,167)	11,616	10,449	(146)	10,303
Recognition of equity-settled share-based payments	-	-	-	2,536	-	-	-	2,536	80	2,616
Exercise of share options	5	538	-	(116)	-	-	-	427	-	427
Forfeiture of share options	-	-	-	(11)	-	-	11	-	-	-
Dividends recognised as distribution	-	-	-	-	-	-	(3,882)	(3,882)	-	(3,882)
At 30 June 2016 (unaudited)	1,941	108,009	4,413	4,832	(47,070)	2,975	115,110	190,210	(415)	189,795

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: 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 a 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).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash used in operating activities	(7,954)	(19,397)
Net cash from (used in) investing activities	2,254	(4,214)
Net cash from financing activities	246	3,830
Net decrease in cash and cash equivalents	(5,454)	(19,781)
Cash and cash equivalents at the beginning of the period	58,116	55,533
Effect of foreign exchange rate changes	(384)	39
Cash and cash equivalents at the end of the period, represented by bank balances and cash	52,278	35,791

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 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 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 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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

The application of the amendments to HKFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these 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 Company) 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:

	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Architecture	138,957	162,214
Landscape architecture, town planning, interior design and heritage conservation	26,127	19,669
	165,084	181,883

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging/(crediting):		
Written off of bad debts	134	–
Allowance for doubtful debts reversed, net	–	(288)
Depreciation of property, plant and equipment	3,227	2,920
Amortisation of intangible assets (Note 1)	149	156
Operating lease payments (Note 2)	13,001	12,882
Staff costs		
– Salaries allowances and other benefits	98,486	113,006
– Operating lease payments	408	384
– Contributions to retirements benefits	2,712	3,651
– Equity-settled share-based payments	2,616	563
Total staff costs (including director's emoluments)	104,222	117,604

Note 1: Included in cost of services.

Note 2: For the six months ended 30 June 2016, the amount includes the operating lease payments for staff quarters amounting to HK\$408,000 (six months ended 30 June 2015: HK\$384,000), which are included in the total staff costs.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
The income tax expense (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	2,552	2,365
PRC Enterprise Income Tax ("EIT")	1,120	3,028
Overprovision of Hong Kong Profits Tax in prior years	-	(1,064)
	3,672	4,329
Deferred tax:		
Current period	(503)	(1,197)
Attributable to a change in tax rate	(617)	-
	(1,120)	(1,197)
	2,552	3,132

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

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, a wholly owned subsidiary of the Company, is 25% for the six months ended 30 June 2016 and 2015. For the six months ended 30 June 2015, the income tax rate applicable to 梁黃顧建築設計(深圳)有限公司, a non-wholly owned subsidiary of the Company, is 25%.

During the six months period ended 30 June 2016, 梁黃顧建築設計(深圳)有限公司, a non-wholly owned subsidiary of the Company, was registered with the relevant local tax bureau authorities as a qualified enterprise in the Qianhai-Hong Kong Modern Service Industry Cooperation Zone, and was entitled to have a preferential EIT rate of 15%.

6. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	11,616	14,868
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	193,721,986	180,000,000
Effect of dilutive potential ordinary shares in respect of share options outstanding	3,122,810	6,941,598
Weighted average number of ordinary shares for the purpose of diluted earnings per share	196,844,796	186,941,598

The computation of diluted earnings per share for the six months ended 30 June 2016 does not assume the exercise of the Company's share options granted in September 2015 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 2016.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

During the current period, a final dividend for the year ended 31 December 2015 of HK2 cents (2015: Nil) per share amounting to approximately HK\$3,882,000 (2015: Nil) were declared and paid to the shareholders.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired equipment and leasehold improvement of approximately HK\$366,000 (six months ended 30 June 2015: HK\$1,028,000).

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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 30 days	39,246	27,577
Over 30 days and within 90 days	22,296	27,386
Over 90 days and within 180 days	23,771	6,671
Over 180 days	43,445	43,889
	128,758	105,523

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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 30 days	1,912	1,950
Over 30 days and within 90 days	749	460
Over 90 days	798	1,157
	3,459	3,567

11. ISSUED CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 January 2015, 31 December 2015 and 30 June 2016	1,000,000,000	10,000
Issued and paid up		
At 1 January 2015	180,000,000	1,800
Shares issued as consideration (Note)	9,000,000	90
Issued of shares upon exercise of share options	4,595,000	46
At 31 December 2015	193,595,000	1,936
Issued of shares upon exercise of share options	515,000	5
At 30 June 2016	194,110,000	1,941

Note: On 11 November 2015, the Company issued and allotted 9,000,000 shares as consideration to the vendors for the acquisition of 80.5% of issued share capital of Cfu Come Limited ("Cfu Come").

All issued shares rank pari passu in all respects with each other.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2015 and six months ended 30 June 2016.

12. 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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)		
Held for trading investments - unlisted trading fund in the PRC	740	757	Level 2	Based on the fair value of underlying assets and liabilities which are substantially derived from Level 1 inputs

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.

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 2016, the Group's revenue was HK\$165,084,000, decreasing by 9.2% when compared with that in the corresponding period of 2015. It secured 48 new contracts in Hong Kong, the PRC and other markets and the value of the new contracts and supplementary contracts totalled approximately HK\$131,412,000. As at 30 June 2016, the Group had remaining contract sums of approximately HK\$893,000,000. Architecture, contributing 84% of the revenue, continued to be the mainstream practice of the Group.

Besides architecture, the service of other sectors maintained its stable contribution to the revenue of the Group. Particularly the interior design sector continued its expansion, with a noteworthy surge of 75% in revenue when compared with that in the corresponding period of 2015.

The Group has been exploring possible strategies to further extend its comprehensive architectural services, as well as to identify and acquire suitable investment or business projects related to urbanisation.

Financial Review

Revenue

The year 2016 continued to be a challenging year for the Group due to the gradual economic slowdown and the soft property market in the PRC. The Group will continue to enhance its business model by embarking on strategic initiatives to explore new business opportunities and further diversify the business portfolios to minimise the impact. During the review period, the Group's revenue was HK\$165,084,000, when compared with that of HK\$181,883,000 in the corresponding period of 2015, representing a decrease of 9.2%.

Cost of services

Cost of services for the six months ended 30 June 2016 amounted to HK\$116,527,000, when compared with that of HK\$129,560,000 in the corresponding period of 2015, representing a remarkable decrease of 10.1%. The decrease was driven by the savings from direct labour costs and overhead costs as a result of better cost control strategies implemented by the Group in response to the economic slowdown and the soft property market in the PRC.

Gross profit and gross profit margin

The gross profit for the six months ended 30 June 2016 amounted to HK\$48,557,000 (six months ended 30 June 2015: HK\$52,323,000) representing a decrease of 7.2%. While the decrease in revenue during the period has brought a negative impact to the Group's gross profit in the short term, the cost control strategies implemented by the Group have improved the Group's efficiency in the long term; the gross profit margin of the Group for the six months ended 30 June 2016 increased to 29.4%, when compared with 28.8% in the corresponding period of 2015.

Administrative expenses

Administrative expenses for the six months ended 30 June 2016 amounted to HK\$33,552,000, when compared with HK\$33,849,000 in the corresponding period of 2015, representing a slight decrease of 0.9%. Administrative expenses remained stable during the period.

Profit

The profit for the six months ended 30 June 2016 was HK\$11,480,000, as compared to HK\$14,461,000 in the corresponding period of 2015, representing a decrease of 20.6%.

OUTLOOK

The Board believes that the Group will continue to be a one-stop architectural design solution provider with the systematic application of its multi-centre operation model by leveraging its accumulated experiences in design and project execution with its diversified service portfolio.

The Board envisions the growth in housing construction volume and land supply in Hong Kong will remain sustainable in the future. Business operations in Hong Kong are expected to make substantial contributions to the Group's revenue and this is backed by relatively stable economic prospects in the local market, complemented by the Group's diversified business portfolio.

The interior design sector continued its remarkable growth in the current period. The Group remains optimistic about the expansion of the interior design sector and anticipates growing revenue generation from this sector.

Given that the property market in the PRC has stepped into a consolidation period, the Group will initiate strategic moves to explore new business opportunities to strengthen its leading position in the market. The Group will also capture development potential for the further expansion of its business reach by merger and acquisition.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Current assets	339,785	316,197
Current liabilities	191,718	179,698
Current ratio	1.77	1.76

The current ratio of the Group at 30 June 2016 was 1.77 times as compared to that of 1.76 times at 31 December 2015. It was mainly resulted from the increase in progress billings receivable from contract customer during the period.

At 30 June 2016, the Group had total bank balances and cash and pledged bank deposits of HK\$52,278,000 (31 December 2015: HK\$60,662,000). The unutilised general banking facilities is approximately is HK\$25,560,000 (31 December 2015: HK\$17,940,000) as at 30 June 2016.

At 30 June 2016, the Group's gearing ratio (represented by obligations under finance leases divided by equity) amounted to approximately 0.3% (31 December 2015: 0.4%).

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 2016. The capital of the Company comprises only ordinary shares.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed around 530 (30 June 2015: around 560) 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 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.

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 2016 (the "Review Period") with the Group's actual business progress is set out below:

Business objectives for the Review Period

Actual Business Progress for the Review Period

1. To enhance the Group's information technology infrastructure

- invest resources, carry out the build-up, conduct the testing and monitor the performance of the design information management platform, cost management system, building information modelling ("BIM") system and three-dimensional ("3D") printing technology

- A professional team on BIM had been set up and continuing for further development
- Implementation of 3D photogrammetry and image processing technologies to develop new services and products for building construction sites and major infrastructure works, particularly in conservation and hospitality design services
- Conducting trials with users to fine tune new services based on 3D photogrammetry and image processing technologies
- Cost management system was in the progress of enhancing. Data collection for the project information management platform was also in progress and expected to be completed by the end of 2016

2. To carry out marketing activities in the PRC

- organise and participate in design forums, seminars or conferences with academic institutions or professional bodies/associations

- 梁黃顧建築設計(深圳)有限公司 ("LWK Shenzhen") was awarded with an excellence in design research by the Gemdale Group and a director of LWK Shenzhen was invited to give a speech at 2016 Gemdale Group Strategic Design Partnership Cooperation Conference ("2016年金地集團設計資源戰略合作大會")

Business objectives for the Review Period

- launch and attend design competitions and exhibitions
- provide sponsorships to architecture programmes
- directly carry out advertisements through various media platforms
- assess the performance of our marketing activities

Actual Business Progress for the Review Period

- LWK & Partners (HK) Limited (“**LWK Hong Kong**”) was the design sponsor and venue architect of Heritage x Arts x Design (H.A.D.) Walk Project Shatin & Sai Kung Exhibition in April 2016
- LWK Shenzhen led a design competition for a Changsha Project of 華凱創意文化產業園 in May 2016, attracted dozens of passionate young architects submitting their works
- Donation for Architecture Show 2016 to The School of Architecture, The Chinese University of Hong Kong
- Donation for The Hong Kong Institute of Architects (“**HKIA**”) Sports and Family Day 2016
- Donation for Architecture Design Graduation Exhibition 2016 to The Hong Kong Design Institute x Lincoln University (HKDI x UOL)
- Finance Channel of Now TV, covered an interview with a director of the Company on the mobile application Cfu Come on 27 May 2016
- Sing Tao Daily and The Standard, a local newspaper in Chinese and English respectively, covered in interview with the directors of LWK HK in their issues dated on 3 June 2016
- Details of marketing activities held in 2013, 2014 and 2015 have been disclosed in the Annual Reports for the years ended 31 December 2013, 2014 and 2015

Business objectives for the Review Period

Actual Business Progress for the Review Period

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
 - continue to expand and transform our current offices in first-tier cities in the PRC to regional offices
 - further develop our offices in second-tier cities in the PRC as back-up offices to provide design support to our Hong Kong headquarters and other regional offices
- Hong Kong office was expanded for the operations of landscape architecture, town planning and interior design
 - Shenzhen, Shanghai and Guangzhou offices were expanded with more operation space and facilities in 2014
 - Since the Group speeded up its development in expansion of offices and teams in 2014, there was no further expansion in 2015 and 2016

USE OF PROCEEDS

During the six months ended 30 June 2016, 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 2016 HK\$ million	Actual use of proceeds (adjusted with final placing price) from Listing Date up to ended 30 June 2016 HK\$ million
To enhance our information technology infrastructure		
• Design Information	2.0	0.6
• Cost Control/Resources Management	1.7	1.1
• BIM/3D Printing	1.3	3.4
	5.0	5.1
To carry out marketing activities in the PRC	2.4	2.5
To expand our offices and teams	7.5	9.2
	14.9	16.8

Notes:

- (a) 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 in the Prospectus. The use of proceeds was applied in accordance with the actual development of the market. Total net proceeds of HK\$14.9 millions have been used up as at 30 June 2016 and the excess was contributed by the internal resources of the Group.
- (b) Actual use of proceeds on enhancement of our design information and cost control/resources management was lower than planned use of proceeds because the testing and implementation plan of the design information and cost management systems has been further rescheduled to the second half of 2016 for thorough data transfer and enhancement. Also, internal programmer has been assigned to establish the database programs, hence, no outsource is required. Overall, the actual total use of proceeds for enhancement of our information technology infrastructure is similar with the planned one.
- (c) Actual use of proceeds on expansion of our office and teams was higher than planned use of proceeds because the Group has speeded up its development by setting up and expanding several offices in the PRC in 2014. The amount in excess was financed by the Group's internal resources.

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 2016, 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 2016, 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 2016, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, 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
Liang Ronald	The Company	Interest in a controlled corporation	83,068,000	42.79%
	The Company	Beneficial interest	124,000	0.06%
	The Company	Beneficial interest	4,300,000 ^(Note 1)	2.21%
Fu Chin Shing	The Company	Interest in a controlled corporation	36,632,000	18.87%
	The Company	Beneficial interest	76,000	0.03%
	The Company	Beneficial interest	2,350,000 ^(Note 1)	1.21%
Wang Jun You	The Company	Interest in a controlled corporation	15,300,000	7.88%
	The Company	Beneficial interest	1,450,000 ^(Note 1)	0.74%
	The Company	Interest of spouse	200,000 ^(Note 2)	0.10%
	梁黃顯建築設計 (深圳) 有限公司	Equity interest	-	1.00%
Lo Kin Nang	The Company	Beneficial interest	1,000,000 ^(Note 1)	0.51%
Ng Kwok Fai	The Company	Beneficial interest	1,000,000 ^(Note 1)	0.51%
He Xiao	The Company	Beneficial interest	1,000,000 ^(Note 1)	0.51%

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 (the "Pre-IPO Share Option Scheme") and share option scheme (the "Share Option Scheme") of the Company.

(2) 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

Other than disclosed above, none of the Directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2016.

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

Save as disclosed below, as at 30 June 2016, 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 ordinary shares	Percentage of total issued share capital in the Company
Rainbow Path International Limited	Beneficial owner (Note 1)	75,868,000	39.08%
Veteran Ventures Limited	Beneficial owner (Note 1)	7,200,000	3.70%
Vivid Colour Limited	Beneficial owner (Note 2)	36,632,000	18.87%
Jun Ming Investments Limited	Beneficial owner (Note 3)	15,300,000	7.88%
Liang Sharon	Interest of spouse (Note 4)	87,492,000	45.07%
Chung Wai Chi, Connie	Interest of spouse (Note 5)	39,058,000	20.12%
Li Min	Interest of spouse (Note 6) Beneficial owner (Note 7)	16,750,000 200,000	8.62% 0.10%

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 87,492,000 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 39,058,000 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 16,750,000 shares held by Mr. Wang under the SFO.
7. It represents the interest in 100,000 shares and the interest in 100,000 shares to be issued and allotted by the Company upon exercise of the share options granted under the Share Option Scheme.

SHARE OPTION SCHEMES

The Company operates two share option schemes providing incentives or rewards to eligible persons of the Group for their contribution to the Group, including the Share Option Scheme and the Pre-IPO Share Option Scheme. Details of these two share options schemes have been set out in the Company's 2015 annual report. The movement during the period and the options outstanding as at 30 June 2016 were as follows:

Pre-IPO Share Option Scheme

Category of grantees	Date of grant	Exercise Price per share	As at 1 January 2016	Granted during the period	Exercised during the period	Forfeited during the period	As at 30 June 2016	Exercised period
Executive Directors								
- Liang Ronald	6/12/2013	HK\$0.83	800,000	-	-	-	800,000	Note 1
- Fu Chin Shing	6/12/2013	HK\$0.83	800,000	-	-	-	800,000	Note 1
- Wang Jun You	6/12/2013	HK\$0.83	800,000	-	-	-	800,000	Note 1
- Lo Kin Nang	6/12/2013	HK\$0.83	800,000	-	-	-	800,000	Note 1
- Ng Kwok Fai	6/12/2013	HK\$0.83	800,000	-	-	-	800,000	Note 1
- He Xiao	6/12/2013	HK\$0.83	800,000	-	-	-	800,000	Note 1
Senior management and other employees	6/12/2013	HK\$0.83	1,625,000	-	(515,000)	(50,000)	1,060,000	Note 2
			6,425,000	-	(515,000)	(50,000)	5,860,000	

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

Category of grantees	Date of grant	Exercise Price per share	As at 1 January 2016	Granted during the period	Exercised during the period	Forfeited during the period	As at 30 June 2016	Exercised period
Executive Directors								
- Liang Ronald	9/9/2015	HK\$2.25	3,500,000	-	-	-	3,500,000	Note 3
- Fu Chin Shing	9/9/2015	HK\$2.25	1,550,000	-	-	-	1,550,000	Note 3
- Wang Jun You	9/9/2015	HK\$2.25	650,000	-	-	-	650,000	Note 3
- Lo Kin Nang	9/9/2015	HK\$2.25	200,000	-	-	-	200,000	Note 3
- Ng Kwok Fai	9/9/2015	HK\$2.25	200,000	-	-	-	200,000	Note 3
- He Xiao	9/9/2015	HK\$2.25	200,000	-	-	-	200,000	Note 3
Senior management and other employees	9/9/2015	HK\$2.25	2,500,000	-	-	-	2,500,000	Note 3
Consultants	28/1/2016	HK\$2.80	-	3,600,000	-	-	3,600,000	Note 4
			8,800,000	3,600,000	-	-	12,400,000	

Note 3: 50% of the share options can be exercised from 9 September 2016 to 8 September 2017 (both dates inclusive), and the remaining 50% can be exercised from 9 December 2016 to 8 September 2017 (both dates inclusive).

Note 4: The share options can be exercised from 1 October 2016 to 30 September 2018 (both dates inclusive).

As at the date of this Interim Report, 5,860,000 shares and 12,400,000 shares are issuable for options granted under the Pre-IPO Share Option Scheme and Share Option Scheme respectively representing approximately 3.02% and 6.39% of the total number of issued shares at that date respectively.

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

During the six months ended 30 June 2016, 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 2016 or at any time during the six months ended 30 June 2016.

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 2016, 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 of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. 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 2016.

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 month period ended 30 June 2016.

AUDIT COMMITTEE

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 2016.

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

Hong Kong, 30 August 2016

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.