



思城控股有限公司

C CHENG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1486



2017

INTERIM REPORT



BUSINESS HIGHLIGHTS

- Total new contracts and supplementary contracts secured during the period totaled HK\$304,072,000 (six months ended 30 June 2016: HK\$131,912,000), representing a significant increase of 130.5%; and
- Remaining contract sums totaled HK\$1,050,000,000 (six months ended 30 June 2016: HK\$893,000,000), representing an increase of HK\$157,000,000, 17.6%.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2017, the unaudited financial results of the Group were as follows:

- Revenue reached HK\$170,441,000 (six months ended 30 June 2016: HK\$165,084,000), representing an increase of 3.2% from the same period of previous financial year;
- The amount of newly signed contracts increased significantly in current period and such growth trend is expected to sustain in the future. The Group needs to equip with sufficient design professionals in order to serve the continuous expansion in projects on hand. The Group had noticeably expanded the design professional teams during the period, profit for the period was therefore reduced to HK\$3,175,000 (six months ended 30 June 2016: HK\$11,480,000) due to significant increment on the staff costs;
- Bank balances and cash reached record high of HK\$192,340,000 (as at 31 December 2016: HK\$83,104,000);
- Basic earnings per share based on weighted average number of ordinary shares of 234,374,000 (six months ended 30 June 2016: 193,722,000) in issue was HK1.5 cents (six months ended 30 June 2016: HK6.0 cents);
- Diluted earnings per share based on weighted average number of ordinary shares of approximately 238,653,000 (six months ended 30 June 2016: 196,845,000) in issue was HK1.4 cents (six months ended 30 June 2016: HK5.9 cents); and
- No interim dividend was declared.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017, together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	170,441	165,084
Cost of services		(133,268)	(116,527)
Gross profits		37,173	48,557
Other income		412	154
Other gains and losses		(806)	(1,108)
Administrative expenses		(32,570)	(33,552)
Finance costs		(133)	(19)
Profit before taxation	4	4,076	14,032
Income tax expense	5	(901)	(2,552)
Profit for the period		3,175	11,480
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation		(627)	(1,177)
Total comprehensive income for the period		2,548	10,303



		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		3,430	11,616
Non-controlling interests		(255)	(136)
		3,175	11,480
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		2,787	10,449
Non-controlling interests		(239)	(146)
		2,548	10,303
Earnings per share			
(expressed in HK cents)	6		
– Basic		1.5	6.0
– Diluted		1.4	5.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	17,864	11,661
Goodwill		21,035	20,897
Intangible assets		1,207	1,336
Rental and utility deposits		8,003	5,393
Deferred tax assets		1,167	1,496
		49,276	40,783
Current assets			
Amounts due from customers for contract work		126,776	143,001
Progress billings receivable from contract customers	9	132,681	100,815
Prepayments and other receivables		6,096	5,428
Income tax prepaid		5,095	–
Other current assets		2,684	–
Bank balances and cash		192,340	83,104
		465,672	332,348
Current liabilities			
Trade payables	10	6,410	3,481
Accruals and other payables		62,111	72,072
Amounts due to customers for contract work		73,696	89,394
Obligations under finance leases		113	306
Income tax payable		321	6,811
Unsecured bank borrowings		28,649	–
		171,300	172,064
Net current assets		294,372	160,284
Total assets less current liabilities		343,648	201,067



		At 30 June	At 31 December
		2017	2016
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liability			
Deferred tax liabilities		1,987	2,081
		1,987	2,081
Net assets			
Capital and reserves			
Issued capital	11	2,777	1,962
Reserves		339,403	197,304
Equity attributable to owners of the Company		342,180	199,266
Non-controlling interests		(519)	(280)
Total equity		341,661	198,986

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

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 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
At 1 January 2017 (audited)	1,962	112,224	2,248	5,857	(47,070)	(2,407)	126,452	199,266	(280)	198,986
Profit for the period	-	-	-	-	-	-	3,430	3,430	(255)	3,175
Exchange differences arising on translation	-	-	-	-	-	(643)	-	(643)	16	(627)
Total comprehensive income (expense) for the period	-	-	-	-	-	(643)	3,430	2,787	(239)	2,548
Issue of shares (Note 11)	795	144,977	-	-	-	-	-	145,772	-	145,772
Recognition of equity-settled share-based payments	-	-	-	413	-	-	-	413	-	413
Exercise of share options	20	2,898	-	(645)	-	-	-	2,273	-	2,273
Forfeiture of share options	-	-	-	(48)	-	-	48	-	-	-
Dividends recognised as distribution	-	-	-	-	-	-	(8,331)	(8,331)	-	(8,331)
At 30 June 2017 (unaudited)	2,777	260,099	2,248	5,577	(47,070)	(3,050)	121,599	342,180	(519)	341,661

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 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(56,820)	(7,954)
Net cash (used in) from investing activities	(10,665)	2,254
Net cash from financing activities	176,501	246
Net increase (decrease) in cash and cash equivalents	109,016	(5,454)
Cash and cash equivalents at the beginning of the period	83,104	58,116
Effect of foreign exchange rate changes	220	(384)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	192,340	52,278



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

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	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Architecture	142,946	138,957
Landscape architecture, town planning, interior design and heritage conservation	27,495	26,127
	170,441	165,084

4. PROFIT BEFORE TAXATION

	Six months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Provision of allowance for doubtful debts	417	–
Written off of bad debts	–	134
Depreciation of property, plant and equipment	2,902	3,227
Loss on disposal of property, plant and equipment	965	–
Amortisation of intangible assets (Note 1)	142	149
Operating lease payments (Note 2)	13,026	13,001
Staff costs		
– Salaries allowances and other benefits	114,590	98,486
– Operating lease payments	408	408
– Contributions to retirements benefits	3,894	2,712
– Equity-settled share-based payments	413	2,616
Total staff costs (including director's emoluments)	119,305	104,222

Note 1: Included in cost of services.

Note 2: For the six months ended 30 June 2017, the amount includes the operating lease payments for staff quarters amounting to HK\$408,000 (six months ended 30 June 2016: HK\$408,000), which are included in the total staff costs.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The income tax expense (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	332	2,552
PRC Enterprise Income Tax ("EIT")	1,125	1,120
Overprovision of Hong Kong Profits Tax in prior years	(790)	-
	667	3,672
Deferred tax:		
Current period	234	(503)
Attributable to a change in tax rate	-	(617)
	234	(1,120)
	901	2,552

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

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% for the periods ended 30 June 2016 and 2017.



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	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	3,430	11,616
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	234,374,000	193,722,000
Effect of dilutive potential ordinary shares in respect of share options outstanding	4,279,000	3,123,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	238,653,000	196,845,000

The computation of diluted earnings per share for the six months ended 30 June 2017 does not assume the exercise of the Company's share options granted in April 2017 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 2017.

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 30 June 2016.



7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

During the current interim period, a final dividend for the year ended 31 December 2016 of HK3.0 cents (six months ended 30 June 2016: a final dividend for the year ended 31 December 2015 of HK2.0 cents) per share amounting to approximately HK\$8,331,000 (six months ended 30 June 2016: HK\$3,882,000) were declared and payable 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\$9,993,000 (six months ended 30 June 2016: HK\$366,000), mainly for expansion in office premises of the Group.

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 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 30 days	55,570	22,739
Over 30 days and within 90 days	18,875	18,613
Over 90 days and within 180 days	10,438	11,623
Over 180 days	47,798	47,840
	132,681	100,815

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 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 30 days	5,671	2,217
Over 30 days and within 90 days	248	1,077
Over 90 days	491	187
	6,410	3,481

11. ISSUED CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 January 2016, 31 December 2016 and 30 June 2017	1,000,000,000	10,000
Issued and paid up		
At 1 January 2016	193,595,000	1,936
Issue of shares upon exercise of share options	2,622,000	26
At 31 December 2016	196,217,000	1,962
Issue of new shares under specific mandate	79,473,780	795
Issue of shares upon exercise of share options	2,020,000	20
At 30 June 2017	277,710,780	2,777

Note: On 6 April 2017, the Company issued and allotted 79,473,780 shares to Beijing Design Group Company Limited, a wholly-owned subsidiary of the Beijing General Municipal Engineering Design & Research Institute Co., Ltd.

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 2016 and six months period ended 30 June 2017.



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 2017, the revenue of the Group was HK\$170,441,000, increased by 3.2% when compared with that in the corresponding period of 2016. While the revenue growth of the Group remains stable, the Group has secured 102 new contracts in Hong Kong, the PRC and other markets and the value of the new contracts and supplementary contracts totaled approximately HK\$304,072,000, which when compared to the corresponding period of 2016, surged by 130.5%. The expansion on the commercial architectural design sector boosted the future revenue stream of the Group. As at 30 June 2017, the Group had remaining contract sums of approximately HK\$1,050,000,000 while in the same period of 2016, was HK\$893,000,000.

The traditional sector in architecture has remained a stable revenue generator in the Group, contributing 83.9% of the total revenue. In this sector, commercial architectural design has shown outstanding market potential with its combined capability in design and implementation. In view of this, more design professionals have been attracted into the Group during the period. While revenue surged from this sector is still yet to be reflected in this period, the significant new contract sums secured from this sector have already guaranteed a new stream of revenue to the Group in the foreseeable future. This sector expertises in delivering one-stop services from design to implementation of commercial building projects. With years of experience in large-scale iconic projects in major cities of the PRC, it has formed a unique competitive edge in the market. Its integrated project solutions including branding and entertainment experience have been the driving factors of enlarging its customer base especially in the PRC.

Interior design sector continued its remarkable growth curve. Riding on the strong momentum in recent years, our interior design team has sustained a 42.3% growth in revenue when compared with the same period of last year. It has fulfilled rising market demands on urban renovation projects especially in offices and hospitality. Furthermore, the team has launched a new business line of artistic consultancy with an aim to strengthen its brand presence, which has already contributed revenue for the Group during the period.



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. During the period ended 30 June 2017, the Company introduced a new strategic investor, Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("**BMEDI**") by successfully issuing of 79,473,780 of new ordinary shares to a wholly owned subsidiary of BMEDI. After such subscription, BMEDI became the single largest shareholder of the Company with shareholding of 28.6% as at 30 June 2017. On 30 June 2017, the Group had entered into a design service sub-contracting framework agreement with BMEDI. Under the framework agreement, the Group will provide design services to the BMEDI Group, with the scope of services including but not limited to architectural design, landscape design, town planning and interior design. Such strategic co-operation allows the Group to participate in marquee developments and other top-grade infrastructure projects that it has not been able hitherto to bid for, and such framework agreement will bring another new revenue stream to the Group in the future.

Financial Review

Revenue

2017 was a challenging year for the Group due to the continuing competitiveness in Hong Kong and the PRC architectural markets. The Group enhanced its business model by embarking on strategic initiatives to explore new business opportunities and further diversified the business portfolios to minimise the impact. During the period, the revenue of the Group was HK\$170,441,000, when compared with that of HK\$165,084,000 in same period of 2016, representing an increase of 3.2%.

Cost of services

As the Group needs to equip with sufficient design professionals in order to serve the continuous expansion in projects on hand, the Group had noticeably expanded the design professional teams and staff cost surged during the period. Cost of services for the six months period ended 30 June 2017 was amounted to HK\$133,268,000, when compared with that of HK\$116,527,000 in the same period of 2016, representing an increase of 14.4%. The increase was mainly driven by the increment in staff costs of the Group to equip related talents and pioneering design teams among different sectors, especially commercials architectural design sector, interior design sector and the Group's traditional architectural design sector in the PRC.



Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2017 amounted to HK\$37,173,000, when compared with that of HK\$48,557,000 of the same period in 2016, representing a decrease of 23.4%. At the same time, gross profit margin of the Group dropped from 29.4% to 21.8% in the same comparable period. The decrease in gross profit and gross profit margin in current period was due to the aforementioned expansion which lead to a significant staff costs increment while revenue from this sector yet to be reflected in current period as those new projects are still at a preliminary stage as at 30 June 2017. It is expected that the gross profit will resume when those new projects progressed in further stages in coming future.

Administrative expenses

Administrative expenses for the six months ended 30 June 2017 amounted to HK\$32,570,000 when compared with HK\$33,552,000 in the corresponding period of 2016, representing a slight decrease of 2.9%. Administrative expenses remain stable in current period.

Net Profit

In line with the aforesaid reasons on the reduction in gross profit, net profit of the Group for the six months ended 30 June 2017 was HK\$3,175,000 as compared to HK\$11,480,000 in the corresponding period, representing a decrease of 72.3%.

OUTLOOK

In respect of future prospects, the urbanisation trend in Asia and the booming developments of smart cities, sponge cities and urban renewals will draw in tremendous opportunities for the industry as a whole. Reinforced by international positioning and pioneering design teams, the Group has an unparalleled competitiveness. This is backed by the full access of market resources and engineering expertise offered by BMEDI.

It is also expected to enhance the overall market value of the Group by enlarging business contributions from public and municipal sectors, and by expanding multitudes of disciplines through mergers and acquisitions. The Board foresees that integrations of technologies throughout project deliveries will be the next step in cutting down service costs and boosting the brand equity of the Group. With 'Technology + Capital' strategy well in place, the Group will amplify its business growth by capitalising different national development plans. Together with BMEDI, the Board is optimistic in accelerating growth and realising gains for the shareholders of the Company.



LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Current assets	465,672	332,348
Current liabilities	171,300	172,064
Current ratio	2.72	1.93

The current ratio of the Group at 30 June 2017 was 2.72 times as compared to that of 1.93 times at 31 December 2016. It was mainly resulted from the receive in proceed from the issue of new shares during the period.

At 30 June 2017, the Group had total bank balances and cash of HK\$192,340,000 (31 December 2016: HK\$83,104,000). The unutilised general banking facilities is approximately HK\$21,351,000 as at 30 June 2017 (31 December 2016: HK\$35,560,000).

At 30 June 2017, the Group's gearing ratio (represented by bank borrowings and obligations under finance leases divided by equity) amounted to approximately 8.4% (31 December 2016: 0.1%).

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 2017. The capital of the Company comprises only ordinary shares.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2017.



EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed around 720 (30 June 2016: around 530) 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.

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 2017, 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 2017, 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 2017, 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	69,398,000	24.98%
	The Company	Beneficial interest	1,404,000	0.50%
	The Company	Beneficial interest	3,500,000 ^(Note 1)	1.26%
Fu Chin Shing	The Company	Interest in a controlled corporation	30,662,000	11.04%
	The Company	Beneficial interest	462,000	0.16%
	The Company	Beneficial interest	2,350,000 ^(Note 1)	0.84%
Wang Jun You	The Company	Interest in a controlled corporation	12,940,000	4.65%
	The Company	Beneficial interest	1,450,000 ^(Note 1)	0.52%
	The Company	Interest of spouse	200,000 ^(Note 2)	0.07%
	梁黃顯建築設計 (深圳)有限公司	Equity interest	-	1.00%
Ma Kwai Lam Lambert	The Company	Beneficial interest	200,000	0.07%
	The Company	Beneficial interest	100,000 ^(Note 1)	0.03%

Note: (1) These represent the shares to be issued and allotted by the Company upon exercise of the options granted under the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the 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 2017.

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

Save as disclosed below, as at 30 June 2017, 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
Beijing Enterprises Group Company Limited	Interested in a controlled corporation (Note 1)	79,473,780	28.61%
Beijing General Municipal Engineering Design & Research Institute Co. Ltd. ("BMEDI")	Interested in a controlled corporation (Note 1)	79,473,780	28.61%
Beijing Design Group Company Limited	Beneficial owner (Note 1)	79,473,780	28.61%
Rainbow Path International Limited	Beneficial owner (Note 2)	62,198,000	22.39%
Veteran Ventures Limited	Beneficial owner (Note 2)	7,200,000	2.59%
Vivid Colour Limited	Beneficial owner (Note 3)	30,662,000	11.04%
Jun Ming Investments Limited	Beneficial owner (Note 4)	12,940,000	4.65%
Liang Sharon	Interest of spouse (Note 5)	74,302,000	26.75%
Chung Wai Chi, Connie	Interest of spouse (Note 6)	33,474,000	12.05%
Li Min	Interest of spouse (Note 7) Beneficial owner (Note 8)	14,390,000 200,000	5.18% 0.07%



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 74,302,000 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 33,474,000 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 14,390,000 shares held by Mr. Wang under the SFO.
8. 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 2016 annual report. The movement during the period and the options outstanding as at 30 June 2017 were as follows:

Pre-IPO Share Option Scheme

Category of grantees	Date of grant	Exercise Price per share	As at 1 January 2017	Granted during the period	Exercised during the period	Forfeited during the period	As at 30 June 2017	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 (resigned on 1 May 2017)	6/12/2013	HK\$0.83	800,000	-	-	-	800,000	Note 1
- Ng Kwok Fai (resigned on 1 May 2017)	6/12/2013	HK\$0.83	800,000	-	-	-	800,000	Note 1
- He Xiao (resigned on 1 May 2017)	6/12/2013	HK\$0.83	800,000	-	(800,000)	-	-	Note 1
			4,800,000	-	(1,600,000)	-	3,200,000	

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).

Share Option Scheme

Category of grantees	Date of grant	Exercise Price per share	As at 1 January 2017	Granted during the period	Exercised during the period	Forfeited during the period	As at 30 June 2017	Exercised period
Executive Directors								
- Liang Ronald	9/9/2015	HK\$2.25	3,500,000	-	-	-	3,500,000	Note 2
- Fu Chin Shing	9/9/2015	HK\$2.25	1,550,000	-	-	-	1,550,000	Note 2
- Wang Jun You	9/9/2015	HK\$2.25	650,000	-	-	-	650,000	Note 2
- Ma Kwai Lam Lambert (appointed on 1 May 2017)	9/9/2015	HK\$2.25	100,000	-	-	-	100,000	Note 2
- Lo Kin Nang (resigned on 1 May 2017)	9/9/2015	HK\$2.25	200,000	-	-	-	200,000	Note 2
- Ng Kwok Fai (resigned on 1 May 2017)	9/9/2015	HK\$2.25	200,000	-	-	-	200,000	Note 2
- He Xiao (resigned on 1 May 2017)	9/9/2015	HK\$2.25	200,000	-	(200,000)	-	-	Note 2
Senior management and other employees	9/9/2015	HK\$2.25	2,250,000	-	(220,000)	(100,000)	1,930,000	Note 2
Consultants	28/1/2016	HK\$2.80	2,600,000	-	-	-	2,600,000	Note 3
Consultants	3/4/2017	HK\$3.29	-	3,800,000	-	-	3,800,000	Note 4
			11,250,000	3,800,000	(420,000)	(100,000)	14,530,000	

Note 2: 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 3: The share options can be exercised from 1 October 2016 to 30 September 2018 (both dates inclusive).

Note 4: The share options can be exercised from 3 April 2019 to 2 April 2020 (both dates inclusive).

As at the date of this report, 3,200,000 shares and 10,930,000 shares are issuable for options granted under the Pre-IPO Share Option Scheme and Share Option Scheme respectively representing approximately 1.13% and 3.88% 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 2017, 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 2017 or at any time during the six months ended 30 June 2017.

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 2017, 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to 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 2017.

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 2017.



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 (appointed on 1 May 2017). Mr. Wong Julius ceased to be a member of the audit committee with effect from 1 May 2017. 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 2017.

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

Hong Kong, 29 August 2017

As at the date of this report, the executive Directors are Mr. Liang Ronald, Mr. Liu Gui Sheng, Mr. Fu Chin Shing, Mr. Wang Jun You, Mr. Liu Yong and Mr. Ma Kwai Lam Lambert, and the independent non-executive Directors are Mr. Lo Wai Hung, Mr. Yu Chi Hang and Ms. Su Ling.