思城控股有限公司
C CHENG HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock code: 1486

INTERIM REPORT 2018

CONTENTS

BUSINESS HIGHLIGHTS

- Total new and supplementary contracts secured during the period totaled HK$457,367,000 (six months ended 30 June 2017: HK$304,072,000), representing an increase of 50.4%; and

- Remaining contract sums totaled HK$1,296,570,000 (six months ended 30 June 2017: HK$1,050,000,000), representing an increase of HK$246,570,000, 23.5%.

FINANCIAL HIGHLIGHTS

- Revenue of the Group was HK$301,963,000 (six months ended 30 June 2017: HK$170,441,000), representing an increase of 77.2% from the same period of previous financial year;

- Profit for the period was HK$25,451,000 (six months ended 30 June 2017: HK$3,175,000) representing a substantial increase of 701.6% from the same period of previous financial year;

- Basic earnings per share based on weighted average number of ordinary shares of 288,261,000 (six months ended 30 June 2017: 234,374,000) in issue was HK8.2 cents (six months ended 30 June 2017: HK1.5 cents);

- Diluted earnings per share based on weighted average number of ordinary shares of approximately 292,441,000 (six months ended 30 June 2017: 238,653,000) in issue was HK8.1 cents (six months ended 30 June 2017: HK1.4 cents); and

- Proposed interim dividend of HK3.0 cents per share for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	3	**301,963**	170,441
Cost of services		**(215,739)**	(133,268)
Gross profit		**86,224**	37,173
Other income	4	**2,534**	412
Other gains and losses		**(876)**	(806)
Impairment losses, net of reversal		**(800)**	–
Administrative expenses		**(54,037)**	(32,570)
Finance costs		**(769)**	(133)
Profit before tax	6	**32,276**	4,076
Income tax expense	5	**(6,825)**	(901)
Profit for the period		**25,451**	3,175
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(1,961)**	(627)
Fair value loss on debt instruments at fair value through other comprehensive income		**(3,430)**	–
Other comprehensive expenses for the period (net of tax)		**(5,391)**	(627)
Total comprehensive income for the period		**20,060**	2,548

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**23,603**	3,430
Non-controlling interests		**1,848**	(255)
		25,451	3,175
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**18,201**	2,787
Non-controlling interests		**1,859**	(239)
		20,060	2,548
Earnings per share	7		
– Basic (HK cents)		**8.2**	1.5
– Diluted (HK cents)		**8.1**	1.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**At 30 June 2018 HK$'000 (Unaudited)**	At 31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**20,547**	20,690
Goodwill		**31,629**	31,688
Intangible assets		**6,745**	5,748
Available-for-sale investments		**–**	66,618
Debt instruments at fair value through other comprehensive income		**63,452**	–
Rental and utility deposits		**10,112**	8,088
		132,485	132,832
Current assets			
Trade receivables	10	**164,452**	100,254
Contract assets	11	**122,014**	–
Amounts due from customers for contracts work		**–**	139,965
Deposit, prepayments and other receivables		**5,053**	5,492
Other current assets		**2,763**	2,800
Income tax recoverable		**1,276**	2,541
Bank balances and cash		**197,814**	233,807
		493,372	484,859
Current liabilities			
Trade payables	12	**5,924**	4,714
Accruals and other payables		**48,157**	86,413
Amounts due to customers for contracts work		**–**	64,239
Contract liabilities		**70,230**	–
Contingent consideration payable	13	**–**	6,800
Income tax payable		**4,083**	2,167
Unsecured bank borrowings	14	**62,396**	35,350
		190,790	199,683
Net current assets		**302,582**	285,176
Total assets less current liabilities		**435,067**	418,008

	Notes	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Non-current liability			
Deferred tax liabilities		**3,534**	3,816
Net assets		**431,533**	414,192
Capital and reserves			
Issued capital	15	**2,883**	2,883
Reserves		**403,084**	394,531
Equity attributable to owners of the Company		**405,967**	397,414
Non-controlling interests		**25,566**	16,778
Total equity		**431,533**	414,192

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company										
	Issued capital HK$'000	**Share premium** HK$'000	**PRC Statutory reserve** HK$'000 (note a)	**Share option reserve** HK$'000	**Investment revaluation** HK$'000	**Other reserve** HK$'000 (note b)	**Exchange reserve** HK$'000	**Retained profits** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
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 15)	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
At 1 January 2018 (audited)	2,883	283,501	5,765	3,313	(1,042)	(46,389)	186	149,197	397,414	16,778	414,192
Application of HKFRS 9 (Note 2)	–	–	–	–	–	–	–	(1,841)	(1,841)	(68)	(1,909)
At 1 January 2018 (restated)	2,883	283,501	5,765	3,313	(1,042)	(46,389)	186	147,356	395,573	16,710	412,283
Profit for the period	–	–	–	–	–	–	–	23,603	23,603	1,848	25,451
Exchange differences arising on translation	–	–	–	–	–	–	(1,972)	–	(1,972)	11	(1,961)
Fair value loss on debt instruments at fair value through other comprehensive income	–	–	–	–	(3,430)	–	–	–	(3,430)	–	(3,430)
Total comprehensive income (expense) for the period	–	–	–	–	(3,430)	–	(1,972)	23,603	18,201	1,859	20,060
Further capital injection shared by non-controlling interests (Note 13)	–	–	–	–	–	–	–	–	–	6,997	6,997
Recognition of equity-settled share-based payments	–	–	–	3,723	–	–	–	–	3,723	–	3,723
Forfeiture of share options	–	–	–	(92)	–	–	–	92	–	–	–
Dividends recognised as distribution	–	–	–	–	–	–	–	(11,530)	(11,530)	–	(11,530)
At 30 June 2018 (unaudited)	2,883	283,501	5,765	6,944	(4,472)	(46,389)	(1,786)	159,521	405,967	25,566	431,533

note a: The PRC 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 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Operating activities		
Operating cash flows before movements in working capital	**39,359**	8,636
Decrease in contract assets	**15,796**	–
Decrease in amounts due from customers for contract work	**–**	13,795
Increase in trade receivables	**(68,074)**	(33,272)
Decrease in accruals and other payables	**(38,018)**	(19,514)
Increase in contract liabilities	**7,231**	–
Decrease in amounts due to customers for contract work	**–**	(13,642)
Movement in other working capital	**(1,300)**	(609)
Income taxes paid	**(3,875)**	(12,214)
Net cash used in operating activities	**(48,881)**	(56,820)
Investing activities		
Purchases of property, plant and equipment	**(3,315)**	(8,393)
Other investing cash flows	**1,134**	(2,272)
Net cash used in investing activities	**(2,181)**	(10,665)
Financing activities		
Proceeds from issue of new shares	**–**	145,772
New bank borrowings raised	**40,000**	28,649
Repayment of bank borrowings	**(12,954)**	–
Dividends paid	**(11,530)**	–
Other financing cash flows	**–**	2,080
Net cash from financing activities	**15,516**	176,501
Net (decrease) increase in cash and cash equivalents	**(35,546)**	109,016
Cash and cash equivalents at beginning of the period	**233,807**	83,104
Effect of foreign exchange rate changes	**(447)**	220
Cash and cash equivalents at end of the period, represented by bank balances and cash	**197,814**	192,340

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL INFORMATION

C Cheng Holdings Limited (the "**Company**") is an exempted company incorporated in the Cayman Islands with limited liability on 13 May 2013 and its shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, respectively.

The Company is an investment holding company and its subsidiaries are mainly engaged in the provision of comprehensive architectural services and building information modelling ("**BIM**") services.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") *Interim Financial Reporting issued* by the Hong Kong Institutes of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In the current period, the Group has applied, for the first time, all the new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current period.

Except for the new HKFRSs mentioned below,the application of the amendments to HKFRSs and the interpretation 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.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the provision of comprehensive architectural services and BIM services.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group transfers the comprehensive architectural services (including architecture services, landscape architecture, town planning, interior design and heritage conservation services) and BIM services over time and, therefore, satisfies a performance obligation and recognises revenue over time.

Input method
The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Summary of effects arising from initial application of HKFRS 15

Prior to the application of HKFRS 15, the Group recognised contract revenue and costs by reference to the stage of completion of the contract activity at the end of the reporting period and measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, in accordance with HKAS 11. This is principally consistent with the "input method" under HKFRS 15 as mentioned above. Accordingly, the application of HKFRS 15 does not have material impact on the retained profits of the Group as at 31 December 2017.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	HK$'000	HK$'000	HK$'000
Current assets			
Trade receivables	100,254	15,148	115,402
Contract assets	–	124,817	124,817
Amounts due from customers for contract work	139,965	(139,965)	–
Current liabilities			
Contract liabilities	–	64,239	64,239
Amounts due to customers for contract work	64,239	(64,239)	–

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current assets			
Trade receivables	164,452	(30,972)	133,480
Contract assets	122,014	(122,014)	–
Amounts due from customers for contract work	–	152,986	152,986
Current liabilities			
Contract liabilities	70,230	(70,230)	–
Amounts due to customers for contract work	–	70,230	70,230

Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including table receivables, debt instruments at FVTOCI, other receivables, contract assets and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed on page 19.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments HK$'000	Debt instruments at FVTOCI HK$'000	Trade receivables HK$'000	Contract assets HK$'000	Other items at amortised cost (previously classified as loans and receivables) HK$'000	Retained profits HK$'000	Non-controlling interests HK$'000
Closing balance at 31 December 2017 – HKAS 39	66,618	–	100,254	–	238,694	149,197	16,778
Effect arising from initial application of HKFRS 15	–	–	15,148	124,817	–	–	–
Reclassification from available-for-sale investments	(66,618)	66,618	–	–	–	–	–
Remeasurement – Impairment under ECL model	–	–	(966)	(943)	–	(1,841)	(68)
Opening balance at 1 January 2018	–	66,618	114,436	123,874	238,694	147,356	16,710

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. To measure the ECL, contract assets and trade receivables have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances and other receivables are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

All of the Group's debt instruments at FVTOCI are listed bonds which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$1,909,000 has been recognised against retained profits.

All loss allowances for financial assets including contract assets and trade receivables, other financial assets at amortised cost and debt instruments at FVTOCI as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Contract assets HK$'000	**Trade receivables** HK$'000
At 31 December 2017 – HKAS 39	–	2,433
Amounts remeasured through opening retained profits	943	966
At 1 January 2018	943	3,399

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 (Restated) HK$'000
Non-current Assets				
Property, plant and equipment	20,690	–	–	20,690
Goodwill	31,688	–	–	31,688
Intangible assets	5,748	–	–	5,748
Available-for-sale investments	66,618	–	(66,618)	–
Debt instruments at fair value through other comprehensive income	–	–	66,618	66,618
Rental and utility deposits	8,088	–	–	8,088
	132,832			132,832
Current Assets				
Contract assets	–	124,817	(943)	123,874
Amounts due from customers for contract work	139,965	(139,965)	–	–
Trade receivables	100,254	15,148	(966)	114,436
Deposit, prepayments and other receivables	5,492	–	–	5,492
Other current assets	2,800	–	–	2,800
Tax recoverable	2,541	–	–	2,541
Bank balances and cash	233,807	–	–	233,807
	484,859			482,950

	31 December 2017 (Audited) HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 (Restated) HK$'000
Current Liabilities				
Trade payables	4,714	–	–	4,714
Accruals and other payables	86,413	–	–	86,413
Amounts due to customers for contract work	64,239	(64,239)	–	–
Contract liabilities	–	64,239	–	64,239
Contingent considerations	6,800	–	–	6,800
Income tax payable	2,167	–	–	2,167
Unsecured bank borrowings	35,350	–	–	35,350
	199,683			199,683
Net Current Assets	285,176			283,267
Total Assets less Current Liabilities	418,008			416,099
Non-current liability				
Deferred tax liabilities	3,816	–	–	3,816
Net assets	414,192			412,283
Capital and Reserves				
Issued capital	2,883	–	–	2,883
Reserves	394,531	–	(1,841)	392,690
Equity attributable to owners of the Company	397,414			395,573
Non-controlling interests	16,778	–	(68)	16,710
Total Equity	414,192			412,283

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the contract revenue from comprehensive architectural services and BIM services recognised over time during the period.

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group's reportable segments under HKFRS 8 Operating Segments are as follows:

Comprehensive architectural services	–	provision of architecture, landscape architecture, town planning, interior design and heritage conservation services
BIM services	–	provision of BIM consultancy services, BIM professional training services and BIM software developing

In November 2017, the Group acquired new business of BIM services, details of which were disclosed in the consolidated financial statements for the year ended 31 December 2017. The management of the Group has reassessed the Group's operations and measurement of financial performance assessment and identified the comprehensive architectural services business and BIM services business as two separate operating and reportable segments of the Group.

Inter-segment revenue were charged at cost plus margin basis.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the six months ended 30 June 2018

	Comprehensive architectural services HK$'000	BIM services HK$'000	Total HK$'000
Segment revenue			
Architecture services	241,642	–	241,642
Landscape architecture, town planning, interior design and heritage conservation services	38,441	–	38,441
BIM services	–	21,880	21,880
External revenue	280,083	21,880	301,963
Inter-segment revenue	–	1,425	1,425
Reportable segment revenue	280,083	23,305	303,388
Segment results			
Reportable segment results	30,201	5,395	35,596
Reconciliation			
Unallocated other income			2,134
Loss on fair value changes in contingent consideration payable			(197)
Other unallocated corporate expenses			(5,257)
Condensed consolidated profit before tax			32,276

For the six months ended 30 June 2017

	Comprehensive architectural services HK$'000	BIM services HK$'000	Total HK$'000
Segment revenue			
Architecture services	142,946	–	142,946
Landscape architecture, town planning, interior design and heritage conservation services	27,495	–	27,495
External revenue	170,441	–	170,441
Inter-segment revenue	–	–	–
Reportable segment revenue	170,441	–	170,441
Segment results			
Reportable segment results	8,638	–	8,638
Reconciliation			
Unallocated other income			319
Other unallocated corporate expenses			(4,881)
Condensed consolidated profit before tax			4,076

Segment results represent the profit from each segment without allocation of certain other income, loss on fair value changes in contingent consideration payable and corporate expenses incurred by the Company. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets other than debt instruments at fair value through other comprehensive income or available-for-sale investments as appropriate.

	Revenue from external customers Six months ended 30 June		Non-current assets	
			30 June	31 December
	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Geographical markets				
Hong Kong	84,859	75,400	54,862	52,853
The PRC	207,197	89,741	13,177	12,404
Others	9,907	5,300	994	957
	301,963	170,441	69,033	66,214

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest income from debt instruments at fair value through other comprehensive income	1,785	–
Interest income on bank deposits	749	412
	2,534	412

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
The income tax expense (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	**2,073**	332
PRC Enterprise Income Tax ("**EIT**")	**5,034**	1,125
Over provision of Hong Kong Profits Tax in prior years	**–**	(790)
	7,107	667
Deferred tax:		
Current period	**(282)**	234
	6,825	901

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

Under the law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

梁黃顧建築設計(深圳)有限公司 ("**LWK Architecture**"), a wholly owned subsidiary of the Company, satisfied the requirements of relevant local tax bureau authorities as a qualified enterprise in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and accordingly, is entitled to have a preferential EIT rate of 15% for both periods.

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Provision of allowance for doubtful debts	**–**	417
Provision of allowance for expected credit loss on trade receivables	**928**	–
Reversal of allowance for expected credit loss on contract assets	**(128)**	–
Depreciation of property, plant and equipment	**3,707**	2,902
Loss on disposal of property, plant and equipment	**12**	965
Loss on fair value changes in contingent consideration payable (Note 13)	**197**	–
Amortisation of intangible assets (note 1)	**406**	142
Operating lease payments (note 2)	**19,256**	13,026
Staff costs		
– Salaries allowances and other benefits	**178,254**	114,590
– Operating lease payments	**510**	408
– Contributions to retirements benefits	**7,378**	3,894
– Equity-settled share-based payments	**3,723**	413
Total staff costs (including directors' emoluments)	**189,865**	119,305

note 1: Included in cost of services.

note 2: For the six months ended 30 June 2018, the amount includes the operating lease payments for staff quarters amounting to HK$510,000 (six months ended 30 June 2017: HK$408,000), which are included in the total staff costs.

7. 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 2018 HK$'000 (Unaudited)	2017 HK$'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)	**23,603**	3,430
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**288,261,000**	234,374,000
Effect of dilutive potential ordinary shares in respect of share options outstanding	**4,180,000**	4,279,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**292,441,000**	238,653,000

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.

8. DIVIDENDS

At the meeting held on 22 August 2018, the Board of directors declared an interim dividend of HK3.0 cents per ordinary share for the six months ended 30 June 2018 (2017: nil) totalling HK$8,648,000 (six months ended 30 June 2017: nil).

During the current interim period, a final dividend for the year ended 31 December 2017 of HK4.0 cents (six months ended 30 June 2017: a final dividend for the year ended 31 December 2016 of HK3.0 cents) per share amounting to approximately HK$11,530,000 (six months ended 30 June 2017: HK$8,331,000) were declared and payable to the shareholders.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired equipment and leasehold improvement of approximately HK$3,315,000 (six months ended 30 June 2017: HK$9,993,000).

10. TRADE RECEIVABLES

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Unbilled receivable (note)	**30,564**	–
Within 30 days	**74,264**	26,999
Over 30 days and within 90 days	**20,408**	33,741
Over 90 days and within 180 days	**16,712**	16,644
Over 180 days	**22,504**	22,870
	164,452	100,254

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

11. CONTRACT ASSETS

	30 June 2018 HK$'000 (Unaudited)
Comprehensive architectural services	**109,274**
BIM services	**12,740**
	122,014

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on comprehensive architectural services and BIM services. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables as "unbilled receivable" when the Group achieved the specific milestones in the corresponding contracts.

12. 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 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within 30 days	**4,074**	2,777
Over 30 days and within 90 days	**406**	129
Over 90 days	**1,444**	1,808
	5,924	4,714

13. CONTINGENT CONSIDERATION PAYABLE

Amount as at 31 December 2017 represents fair value of contingent consideration payable for the subscription of 49% of enlarged share capital of ISBIM Limited ("**isBIM**"), details of which were disclosed in the consolidated financial statements for the year ended 31 December 2017.

Pursuant to the deed of subscription, the Group will further contribute not more than HK$13,720,000 to isBIM should the adjusted consolidated profit of isBIM and its subsidiary for the six months ended 30 June 2018 is higher than HK$1,500,000. The expected future economic benefits that will flow out of the Group arising from such arrangement are considered as a contingent consideration. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination during the year ended 31 December 2017.

During the six months period ended 30 June 2018, the adjusted consolidated profit of isBIM and its subsidiary is higher than HK$1,500,000. As a result, the Group further contributed HK$13,720,000 to isBIM according to the deed of subscription and HK$6,997,200 have been adjusted to the non-controlling interests to reflect their proportionate share of the net assets of isBIM and its subsidiary. The difference between the contingent consideration payable and the amount adjusted to the non-controlling interests amounted to HK$197,200 is charged to the profit or loss in the current period.

14. UNSECURED BANK BORROWINGS

During the current period, the Group obtained new bank borrowings amounting to HK$40,000,000 (31 December 2017: HK$35,350,000). Included in new bank borrowings HK$20,000,000 are repayable in instalments over a period of 3 years, the remaining balance of HK$20,000,000 are revolved on a monthly basis. The loans carry interest at a premium over Hong Kong Interbank Offered Rate ("**HIBOR**").

15. ISSUED CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January 2017, 31 December 2017 and 30 June 2018	1,000,000,000	10,000
Issued and paid up		
At 1 January 2017	196,217,000	1,962
Issue of new shares under specific mandate	79,473,780	795
Issue of shares upon exercise of share options	12,570,000	126
At 31 December 2017 and 30 June 2018	288,260,780	2,883

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 2017 and six months period ended 30 June 2018.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30.06.2018 HK$'000	31.12.2017 HK$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobserved inputs
Available-for-sale investments – listed debt securities in Hong Kong	–	66,618	Level 1	Based on the quoted market price	N/A
Debt instruments at fair value through other comprehensive income – listed debt securities in Hong Kong	63,452	–	Level 1	Based on the quoted market price	N/A
Contingent consideration payable	–	(6,800) (note i)	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate.	Discount rate of 5% (note ii) Probability adjusted profits with a range of HK$2,362,000 to HK$2,887,000 (note iii)

Notes:

(i) Amount represents initial recognition of contingent consideration payable at fair value as described in Note 13.

(ii) As at 31 December 2017, an increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration, and vice versa. A 0.5% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the contingent consideration by HK$19,000.

(iii) As at 31 December 2017, a decrease in the probability-adjusted profits used in isolation would result in a decrease in the fair value measurement of the contingent consideration. A 10% decrease in the probability-adjusted profits holding all other variables constant would decrease the carrying amount of the contingent consideration by HK$680,000. The contingent consideration would not be adjusted upward since the contingent consideration was contractually capped at its current fair value.

There were no transfers between Level 1, 2 and 3 during both periods.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 June 2018, the revenue of the Group was HK$301,963,000, increased by 77.2% when compared with that in the corresponding period of 2017. The Group has secured 245 new contracts in Hong Kong, the PRC and other markets. The value of new contracts and supplementary contracts totaled approximately HK$457,367,000. When compared with that of HK$304,072,000 in the corresponding period of 2017, it surged by 50.4%. As at 30 June 2018, the Group had remaining contract sums of approximately HK$1,296,570,000, while in the same period of 2017, it was HK$1,050,000,000.

Comprehensive Architectural Services

The Group's comprehensive architectural services continued its growth momentum in 2018. We have strengthened our market position as one of the leading comprehensive architectural service providers in Hong Kong and the PRC.

During the period, our comprehensive architectural business contributed HK$280,083,000 in revenue, representing an increase of 64.3%. We secured 213 new contracts and the value of new contracts and supplementary contracts totaled approximately HK$432,639,000, as compared with HK$304,072,000 in same period of 2017, representing an increase of 42.3%. As at 30 June 2018, the Group had remaining contract sums of approximately HK$1,245,794,000, up by 18.6% as compared with HK$1,050,000,000 at same period of 2017.

As our main stream of practice, our traditional sector in architecture contributed approximately 80.0% of the revenue to our comprehensive architectural services. Riding on the strong momentum in recent years, our interior design team continued its growth curve and sustained a 32.9% growth in revenue in this period. It has fulfilled rising market demands on urban renovation projects especially in offices and hospitality.

BIM Services

On 29 November 2017, we completed the acquisition of isBIM Limited ("**isBIM**") in order to penetrate into the BIM market. isBIM services cover BIM software development, BIM consultancy services and BIM professional training services. The project nature of isBIM covers smart cities, government buildings, infrastructure and large-scale private property development. During the period, isBIM brought in full period revenue amounted to HK$21,880,000. isBIM successfully secured 32 new contracts and the value of the new contracts and supplementary contracts totaled approximately HK$24,728,000. Remaining contract sum as at 30 June 2018 was approximately HK$50,776,000. We believe that together with the Group's experience and connections in our traditional architecture services, isBIM will be able to connect our existing architecture services and create extended value to our customers.

Financial Review

Revenue

The Group successfully enhanced its business model by exploration of new business opportunities and diversification of business portfolios. During the year, the Group's revenue was HK$301,963,000, compared with that of HK$170,441,000 in same period of 2017, representing an increase of 77.2%.

Cost of services

Cost of services for the period ended 30 June 2018 amounted to HK$215,739,000, when compared with that of HK$133,268,000 in corresponding period of 2017, representing an increase of 61.9%. Over 67.2% of such increment during the year is contributed by the increase in direct staff costs due to the Group's expansion on the professional since 2017.

Gross profit and gross profit margin

Gross profit for the period amounted to HK$86,224,000, increased by 132.0% when compared with last period. At the same time, gross profit margin of the Group increased from 21.8% to 28.6%. The increase in gross profit margin in this year was due to the aforementioned expansion of the professional team in last year, leading to a significant staff costs and overhead increment since the beginning of 2017, while revenue is yet to be reflected in the first half of 2017. Since our professional team was in full deployment in the current period, our gross profit margin restores to normal.

Administrative expenses

Administrative expenses for the period ended 30 June 2018 amounted to HK$54,037,000, when compared with last period of HK$32,570,000, representing an increase of 65.9%. The increase was mainly attributable to the full period in past of our office expansion in second half of last year such as the development of a business development team and a research team in order to further enhance our corporate culture and branding, etc.

Profit for the period

The profit for the period ended 30 June 2018 was HK$25,451,000, a remarkable increment of 701.6% when compared to comparative period.

OUTLOOK

First half of 2018 has seen progress of our business expansion, as well as integration of BIM into our traditional architectural design services. Amidst global economic uncertainties, we will take proactive measures to offset challenges and keep sustainable growth.

Comprehensive architectural services is expected to maintain a stable development in the coming future. New design team force assembled last year is to generate new revenue streams in multiple segments, to cater to our clients' refined needs. Overseas market will be further explored and developed. Set-up of new offices in Beijing and Dubai will draw in new project opportunities from different regions within Asia and beyond. BIM technologies will continue to progress further in project sums and categories, to jockey for position in the rising trends of Smart Cities development.

To maintain our leading market position, the Group is join hands with BMEDI to establish the innovation center in the Guangdong-Hong Kong-Macau Greater Bay Area ("**GBA Innovation Centre**") by end of the year. "GBA Innovation Centre" will function as the development nuclei for BIM and other information technologies, propelling the Group to chart the future of our data-enabled design capabilities in urbanisation.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Current assets	**493,372**	484,859
Current liabilities	**190,790**	199,683
Current ratio	**2.59**	2.43

The current ratio of the Group at 30 June 2018 was 2.59 times as compared to that of 2.43 times at 31 December 2017. It was mainly resulted from the increase in trade receivables during the period.

At 30 June 2018, the Group had total bank balances and cash of HK$197,814,000 (31 December 2017: HK$233,807,000). The unutilised general banking facilities is approximately HK$21,000,000 as at 30 June 2018 (31 December 2017: HK$34,650,000).

At 30 June 2018, the Group's gearing ratio (represented by bank borrowings divided by equity) amounted to approximately 14.5% (31 December 2017: 8.5%).

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 2018. The capital of the Company comprises only ordinary shares.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2018.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$3.0 cents per ordinary share for the six months ended 30 June 2018 totalling approximately HK$8,648,000, based on 288,260,780 issued shares as at 30 June 2018. The interim dividend will be paid on or about Friday, 14 September 2018 to shareholders whose names appear on the register of members of the Company on Friday, 7 September 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed around 960 (30 June 2017: around 720) 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 6 September 2018 and Friday, 7 September 2018 during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend for six months ended 30 June 2018, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 pm on Wednesday, 5 September 2018 for registration of transfer.

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 2018, 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 2018, 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 2018, 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
Mr. Liang Ronald	The Company	Interest in a controlled corporation	69,398,000	24.07%
	The Company	Beneficial interest	4,904,000	1.70%
	The Company	Beneficial interest	3,500,000 (Note 1)	1.21%
Mr. Liu Gui Sheng	The Company	Beneficial interest	3,500,000 (Note 1)	1.21%
Mr. Fu Chin Shing	The Company	Interest in a controlled corporation	30,662,000	10.63%
	The Company	Beneficial interest	2,852,000	0.98%
	The Company	Interest of spouse	132,000 (Note 2)	0.04%
	The Company	Beneficial interest	2,800,000 (Note 1)	0.97%
Mr. Wang Jun You	The Company	Interest in a controlled corporation	12,940,000	4.48%
	The Company	Beneficial interest	1,450,000	0.50%
	The Company	Beneficial interest	1,800,000 (Note 1)	0.62%
	The Company	Interest of spouse	200,000 (Note 3)	0.06%
	The Company	Interest of spouse	300,000 (Note 1)	0.10%
Mr. Liu Yong	The Company	Beneficial interest	1,000,000 (Note 1)	0.34%
Mr. Ma Kwai Lam Lambert	The Company	Beneficial interest	250,000	0.08%
	The Company	Beneficial interest	1,000,000 (Note 1)	0.34%

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 share option scheme (the "**Share Option Scheme**") of the Company.

(2) Mr. Fu Chin Shing, being spouse of Ms. Chung Wai Chi, Connie, is deemed to be interested in 132,000 shares held by Ms. Chung under the SFO.

(3) Mr. Wang Jun You, being spouse of Ms. Li Min, is deemed to be interested in 200,000 shares held by Ms. Li under the SFO.

(2) Short positions

Other than as disclosed above, as at 30 June 2018, neither the Director, 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 recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

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

Save as disclosed below, as at 30 June 2018, 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	27.57%
Beijing General Municipal Engineering Design & Research Institute Co. Ltd. ("**BMEDI**")	Interested in a controlled corporation (Note 1)	79,473,780	27.57%
Beijing Design Group Company Limited	Beneficial owner (Note 1)	79,473,780	27.57%
Rainbow Path International Limited	Beneficial owner (Note 2)	62,198,000	21.57%
Veteran Ventures Limited	Beneficial owner (Note 2)	7,200,000	2.49%
Vivid Colour Limited	Beneficial owner (Note 3)	30,662,000	10.63%
Jun Ming Investments Limited	Beneficial owner (Note 4)	12,940,000	4.48%
Ms. Liang Sharon	Interest of spouse (Note 5)	77,802,000	26.99%
Ms. Chung Wai Chi, Connie	Interest of spouse (Note 6) Beneficial owner	36,314,000 132,000	12.59% 0.04%
Ms. Li Min	Interest of spouse (Note 7) Beneficial owner (Note 8)	16,190,000 500,000	5.61% 0.17%

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 77,802,000 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 36,314,000 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 16,190,000 shares held by Mr. Wang under the SFO.

8. It represents the interest in 200,000 shares and the interest in 300,000 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 Share Option Scheme providing incentives or rewards to eligible persons of the Group for their contribution to the Group. Details of which have been set out in the Company's 2017 annual report. The movement during the period and the options outstanding as at 30 June 2018 were as follows:

Share Option Scheme

Category of grantees	Date of grant	Exercise Price per share	As at 1 January 2018	Granted during the period	Exercised during the period	Forfeited during the period	As at 30 June 2018	Exercised period
Executive Directors								
– Liang Ronald	28/9/2017	HK$2.49	3,500,000	–	–	–	3,500,000	(Note 1)
– Liu Gui Sheng	28/9/2017	HK$2.49	3,500,000	–	–	–	3,500,000	(Note 1)
– Fu Chin Shing	28/9/2017	HK$2.49	2,800,000	–	–	–	2,800,000	(Note 1)
– Wang Jun You	28/9/2017	HK$2.49	1,800,000	–	–	–	1,800,000	(Note 2)
– Liu Yong	28/9/2017	HK$2.49	1,000,000	–	–	–	1,000,000	(Note 2)
– Ma Kwai Lam Lambert	28/9/2017	HK$2.49	1,000,000	–	–	–	1,000,000	(Note 2)
Senior management and other employees	28/9/2017	HK$2.49	11,760,000	–	–	(1,260,000)	10,500,000	(Note 2)
Consultants	28/1/2016	HK$2.80	2,600,000	–	–	–	2,600,000	(Note 3)
	3/4/2017	HK$3.29	3,800,000	–	–	–	3,800,000	(Note 4)
			31,760,000	–	–	(1,260,000)	30,500,000	

Note 1: The share options can be exercised from 28 September 2022 to 27 September 2024 (both dates inclusive).

Note 2: The share options can be exercised from 28 September 2020 to 27 September 2022 (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, 30,500,000 shares are issuable for options granted under Share Option Scheme representing approximately 10.58% of the total number of issued shares at that date.

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

During the six months ended 30 June 2018, 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 2018 or at any time during the six months ended 30 June 2018.

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 2018, 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 2018.

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 2018.

AUDIT COMMITTEE

The Company has established an audit committee comprising independent non-executive Directors, namely Mr. Lo Wai Hung, Mr. Yu Chi Hang and Ms. Su Ling. The audit committee has adopted terms of reference governing the authorities and duties. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2018.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2018 containing all the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cchengholdings.com) in due course.

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

Hong Kong, 22 August 2018

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. Yu Chi Hang, Mr. Lo Wai Hung and Ms. Su Ling.