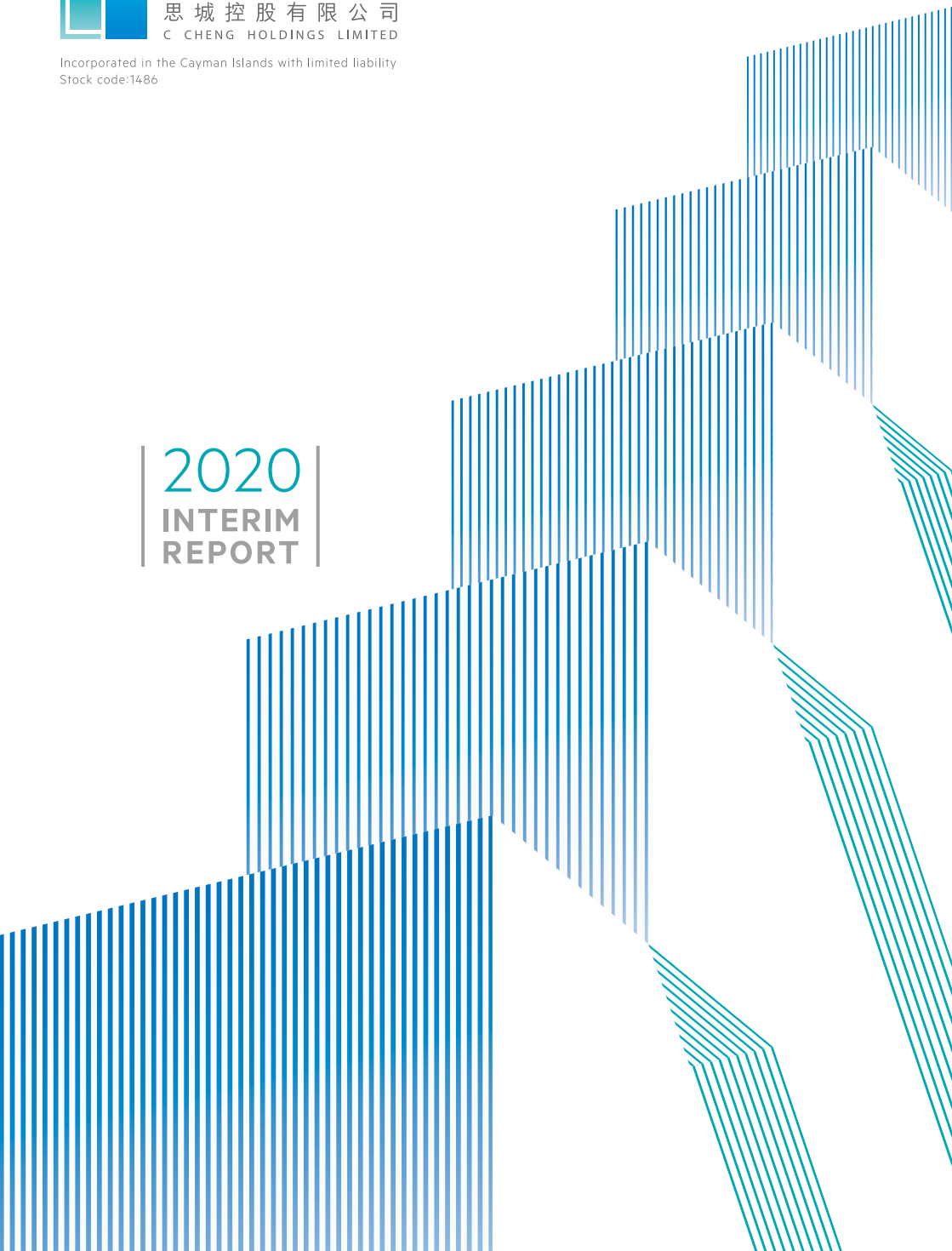




思城控股有限公司  
C CHENG HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability  
Stock code:1486

2020  
INTERIM  
REPORT





## CONTENTS

2	Business and Financial Highlights
3	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
5	Condensed Consolidated Statement of Financial Position
7	Condensed Consolidated Statement of Changes in Equity
9	Condensed Consolidated Statement of Cash Flows
10	Notes to the Condensed Consolidated Financial Statements
25	Management Discussion and Analysis



## **BUSINESS HIGHLIGHTS**

- Total new signed and supplementary contracts secured by the Group during the period totaled HK\$438,316,000 (six months ended 30 June 2019: HK\$440,767,000), representing a decrease of 0.6%; and
- Remaining contract sums totaled HK\$1,590,355,000 (six months ended 30 June 2019: HK\$1,469,471,000), representing an increase of HK\$120,884,000 or 8.2%.

## **FINANCIAL HIGHLIGHTS**

- Revenue of the Group was HK\$310,835,000 (six months ended 30 June 2019: HK\$319,133,000), representing a decrease of 2.6% from the same period of previous financial year;
- Loss for the period was HK\$8,207,000 (six months ended 30 June 2019: loss for the period of HK\$8,638,000);
- Basic loss per share was HK3.4 cents (six months ended 30 June 2019: basic loss per share of HK3.4 cents);
- Diluted loss per share was HK3.4 cents (six months ended 30 June 2019: diluted loss per share of HK3.4 cents); and
- No interim dividend was declared.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "Board") of directors (the "Directors") of C Cheng Holdings Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020, together with the comparative unaudited figures for the corresponding period in 2019 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	<b>310,835</b>	319,133
Cost of services		<b>(250,803)</b>	(248,466)
<b>Gross profits</b>		<b>60,032</b>	70,667
Other income and losses, net		<b>1,502</b>	2,519
Gain on fair value changes of financial assets at fair value through profit or loss		<b>299</b>	2,276
Impairment losses on goodwill and intangible assets	4	<b>(289)</b>	(19,018)
Reversal of impairment losses/(impairment losses) on financial and contract assets, net		<b>1,248</b>	(240)
Administrative expenses		<b>(65,280)</b>	(57,317)
Share of loss of a joint venture		<b>(203)</b>	-
Finance costs		<b>(4,149)</b>	(3,549)
<b>Loss before tax</b>	5	<b>(6,840)</b>	(4,662)
Income tax expense	6	<b>(1,367)</b>	(3,976)
<b>Loss for the period</b>		<b>(8,207)</b>	(8,638)
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operation		<b>(3,242)</b>	(464)
Fair value gain on debt instruments at fair value through other comprehensive income		-	2,327
<b>Other comprehensive (loss)/income for the period</b>		<b>(3,242)</b>	1,863
<b>Total comprehensive loss for the period</b>		<b>(11,449)</b>	(6,775)

	Notes	Six months ended 30 June	
		2020	2019
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>(Loss)/income for the period attributable to:</b>			
Owners of the Company		<b>(9,743)</b>	(9,865)
Non-controlling interests		<b>1,536</b>	1,227
		<b>(8,207)</b>	(8,638)
<b>Total comprehensive (loss)/income for the period attributable to:</b>			
Owners of the Company		<b>(12,607)</b>	(7,833)
Non-controlling interests		<b>1,158</b>	1,058
		<b>(11,449)</b>	(6,775)
Loss per share (expressed in HK cents)			
- Basic	7	<b>(3.4)</b>	(3.4)
- Diluted		<b>(3.4)</b>	(3.4)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	137,760	99,157
Goodwill		14,660	14,743
Intangible assets		9,699	9,539
Investment in a joint venture		4,619	4,969
Deposits		10,601	11,169
Deferred tax assets		3,681	2,864
		<b>181,020</b>	142,441
<b>Current assets</b>			
Trade receivables	10	203,192	218,893
Contract assets	11	170,621	160,065
Prepayments, other receivables and other assets		24,063	9,810
Financial assets at fair value through profit or loss	12	19,739	–
Cash and bank balances		201,229	268,193
		<b>618,844</b>	656,961
<b>Current liabilities</b>			
Trade payables	13	7,864	5,446
Other payables and accruals		43,969	67,197
Contract liabilities		87,548	90,398
Interest-bearing bank borrowing	14	95,008	110,317
Lease liabilities		36,139	27,655
Due to a joint venture		–	5,000
Tax payable		1,338	2,825
		<b>271,866</b>	308,838
<b>Net current assets</b>		<b>346,978</b>	348,123
<b>Total assets less current liabilities</b>		<b>527,998</b>	490,564

		<b>30 June 2020</b>	31 December 2019
	Notes	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
<b>Non-current liabilities</b>			
Lease liabilities		<b>83,497</b>	41,633
Deferred tax liabilities		<b>1,477</b>	1,741
		<b>84,974</b>	43,374
Net assets		<b>443,024</b>	447,190
<b>Equity</b>			
Issued capital	15	<b>2,883</b>	2,883
Reserves		<b>404,911</b>	410,758
Equity attributable to owners of the Company		<b>407,794</b>	413,641
Non-controlling interests		<b>35,230</b>	33,549
<b>Total equity</b>		<b>443,024</b>	447,190



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

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	Fair value reserve of financial assets at fair value through other comprehensive income HK\$'000	Other reserve HK\$'000 (Note b)	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Sub-Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2019 (Audited)	2,883	283,501	6,267	11,133	(2,520)	(46,389)	(6,685)	173,558	421,748	28,870	450,618
Loss for the period	-	-	-	-	-	-	-	(9,865)	(9,865)	1,227	(8,638)
Other comprehensive income for the period:											
Exchange differences related to foreign operations	-	-	-	-	-	-	(295)	-	(295)	(169)	(464)
Fair value gain on debt instruments at fair value through other comprehensive income	-	-	-	-	2,327	-	-	-	2,327	-	2,327
Total comprehensive loss for the period	-	-	-	-	2,327	-	(295)	(9,865)	(7,833)	1,058	(6,775)
Acquisition of non-controlling interests (note c)	-	-	-	-	-	(1,360)	-	-	(1,360)	1,360	-
Equity-settled share-option arrangements	-	-	-	5,353	-	-	-	-	5,353	521	5,874
Transfer of share option reserve to retained profits	-	-	-	(139)	-	-	-	139	-	-	-
Dividend declared	-	-	-	-	-	-	-	(5,765)	(5,765)	-	(5,765)
At 30 June 2019 (Unaudited)	2,883	283,501	6,267	16,347	(193)	(47,749)	(6,980)	158,067	412,143	31,809	443,952
At 1 January 2020 (Audited)	2,883	283,501*	10,593*	21,261*	-*	(47,359)*	(9,251)*	152,013*	413,641	33,549	447,190
Loss for the period	-	-	-	-	-	-	-	(9,743)	(9,743)	1,536	(8,207)
Other comprehensive loss for the period:											
Exchange differences related to foreign operations	-	-	-	-	-	-	(2,864)	-	(2,864)	(378)	(3,242)
Total comprehensive loss for the period	-	-	-	-	-	-	(2,864)	(9,743)	(12,607)	1,158	(11,449)
Equity-settled share-option arrangements	-	-	-	6,760	-	-	-	-	6,760	523	7,283
Transfer of share option reserve to retained profits	-	-	-	(3,313)	-	-	-	3,313	-	-	-
At 30 June 2020 (Unaudited)	2,883	283,501*	10,593*	24,708*	-*	(47,359)*	(12,115)*	145,593*	407,794	35,230	443,024

\* These reserve accounts comprise the consolidated reserves at HK\$404,911,000 (31 December 2019: HK\$410,758,000) in the condensed consolidated statement of financial position.

Notes:

- (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. According to the relevant rules and regulations in PRC applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprises registered capital. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.
- (b) The balance mainly represents debit reserve of HK\$53,519,000 resulting from the share swap pursuant to the group reorganisation upon initial public offering in 2013 and credit reserve of HK\$5,210,000 resulting from recognition of equity-settled share-based payments to Mr. Wang Jun You ("**Mr. Wang**"), director of the Company, in 2013.
- (c) For the six months period ended 30 June 2019, the Group further acquired 25% and 20% equity interests in two non-wholly owned subsidiaries with a consideration of HK\$1 and HK\$1 respectively. The difference between the considerations and the carrying amounts of the non-controlling interests of the subsidiaries of the Group amounting to approximately HK\$1,360,000 in aggregate was recognised in other reserve.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Operating activities</b>		
Operating cash flows before movements in working capital	32,324	45,388
Increase in contract assets	(12,640)	(17,303)
Decrease/(increase) in trade receivables	16,353	(4,013)
(Increase)/decrease in prepayments, other receivables and other assets	(8,891)	1,617
Decrease in accruals and other payables	(22,340)	(52,326)
(Decrease)/increase in contract liabilities	(1,708)	3,797
Movement in other working capital	(1,713)	(1,203)
Income taxes paid	(3,941)	(4,169)
<b>Net cash used in operating activities</b>	<b>(2,556)</b>	<b>(28,212)</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(1,930)	(8,195)
Purchases of financial assets at fair value through profit or loss	(19,440)	-
Other investing cash flows	(5,426)	1,249
<b>Net cash used in investing activities</b>	<b>(26,796)</b>	<b>(6,946)</b>
<b>Financing activities</b>		
New bank borrowings	2,296	46,000
Repayment of bank borrowings	(17,605)	(3,237)
Principal portion of leases payments	(20,665)	(19,572)
Dividends paid	-	(5,765)
<b>Net cash (used in)/from financing activities</b>	<b>(35,974)</b>	<b>17,426</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(65,326)</b>	<b>(17,732)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>268,193</b>	<b>182,104</b>
Effect of foreign exchange rate changes	(1,638)	253
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>201,229</b>	<b>164,625</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 of Hong Kong Limited. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

### 3. OPERATING 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 rendered. The Group has two reportable operating segments as follows:

- (a) the comprehensive architectural services segment engages in the provision of architectural, landscape architectural, town planning, interior design and heritage conservation services;
- (b) the BIM services segment engages in the provision of BIM consultancy services, BIM professional training services and BIM software developing.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that certain other income, share of loss of a joint venture, gain on fair value changes of financial assets at fair value through profit or loss, impairment losses on goodwill and intangible assets as well as corporate expenses of head office are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

## 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 2020 (Unaudited)

	Comprehensive architectural services HK\$'000	BIM services HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
<i>Timing of revenue recognition</i>			
Sale of IT products at a point in time	-	7,151	7,151
Services transferred over time	281,197	22,487	303,684
Revenue from contracts with customers	281,197	29,638	310,835
<i>Type of goods or services</i>			
Architecture services	244,327	-	244,327
Landscape architecture, town planning, interior design and heritage conservation services	36,870	-	36,870
BIM services	-	22,487	22,487
Sale of IT products	-	7,151	7,151
Revenue from contracts with customers	281,197	29,638	310,835
Intersegment revenue	-	2,614	2,614
Segment revenue	281,197	32,252	313,449
Reconciliation:			
Elimination of intersegment revenue			(2,614)
External revenue			310,835
<b>Segment results</b>	<b>(5,561)</b>	<b>2,700</b>	<b>(2,861)</b>
Reconciliation			
Unallocated other income			593
Share of loss of a joint venture			(203)
Gain on fair value changes of financial assets at fair value through profit or loss			299
Impairment loss on intangible assets			(289)
Other unallocated corporate expenses			(4,379)
Loss before tax			(6,840)

For the six months ended 30 June 2019 (Unaudited)

	Comprehensive architectural services HK\$'000	BIM services HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
<i>Timing of revenue recognition</i>			
Sale of IT products at a point in time	-	6,254	6,254
Services transferred over time	293,819	19,060	312,879
Revenue from contracts with customers	293,819	25,314	319,133
<i>Type of goods or services</i>			
Architecture services	238,546	-	238,546
Landscape architecture, town planning, interior design and heritage conservation services	55,273	-	55,273
BIM services	-	19,060	19,060
Sale of IT products	-	6,254	6,254
Revenue from contracts with customers	293,819	25,314	319,133
Intersegment revenue	-	5,453	5,453
Segment revenue	293,819	30,767	324,586
Reconciliation:			
Elimination of intersegment revenue			(5,453)
External revenue			319,133
<b>Segment results</b>	11,096	1,900	12,996
Reconciliation			
Unallocated other income			2,561
Gain on fair value changes of financial assets at fair value through profit or loss			2,276
Impairment losses on goodwill and intangible assets			(19,018)
Other unallocated corporate expenses			(3,477)
Loss before tax			(4,662)



### Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets other than deferred tax assets and investment in a joint venture.

	Revenue from external customers		Non-current assets	
	Six months ended 30 June 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Geographical markets				
Hong Kong	100,519	91,042	109,002	54,760
The PRC	197,649	216,370	58,104	72,972
Macau	688	4,452	-	-
Others	11,979	7,269	5,614	6,876
	310,835	319,133	172,720	134,608

#### 4. IMPAIRMENT LOSSES

In June 2019, the Group ceased the operation of an underperforming business unit, Cfu Come Limited. Accordingly, impairment losses of goodwill and intangible assets of HK\$16,633,000 and HK\$2,385,000, respectively, in relation to Cfu Come Limited, were fully provided and charged to profit or loss during that period.

During the six months ended 30 June 2020, management determined that there was an impairment on a club membership, which is included in intangible assets by reference to the quoted market prices of HK\$280,000, which is classified as Level 1 of the fair value hierarchy.

## 5. LOSS BEFORE TAX

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loss before tax has been arrived at after charging/(crediting):		
Cost of sale of IT products	<b>4,884</b>	5,995
Cost of services rendered	<b>245,919</b>	242,471
Depreciation of property, plant and equipment <sup>1</sup>	<b>26,424</b>	25,956
Amortisation of intangible assets <sup>2</sup>	<b>406</b>	321
Loss on disposal of property, plant and equipment	<b>2,666</b>	2
Gain on fair value changes of financial assets at fair value through profit or loss	<b>(299)</b>	(2,276)
Government subsidy <sup>3</sup>	<b>(3,714)</b>	-
Staff costs including directors' and chief executives' remunerations		
– Salaries, allowances, and other benefits	<b>203,770</b>	192,517
– Contributions to retirement benefit schemes	<b>6,495</b>	10,209
– Equity-settled share-based payments	<b>7,283</b>	5,874
	<b>217,548</b>	208,600
Impairment losses (reversed)/recognised on		
– Trade receivables	<b>(1,413)</b>	34
– Contract assets	<b>165</b>	206
	<b>(1,248)</b>	240
Impairment losses recognised on		
– Goodwill	<b>-</b>	16,633
– Intangible assets	<b>289</b>	2,385
	<b>289</b>	19,018

Notes:

- (1) Included in depreciation of right-of-use assets, HK\$1,076,000 (six months ended 30 June 2019: HK\$933,000) was related to staff quarters for six months ended 30 June 2020.
- (2) Included in cost of services.
- (3) The Group received subsidy of HK\$10,027,000 from the Employment Support Scheme by The Government of the Hong Kong Special Administrative Region as time-limited financial support to retain employment. As at 30 June 2020, the amount of HK\$3,714,000 has been met the terms for forgiveness of the loan and included in the "Other income and losses, net" and the remaining amount of HK\$6,313,000 has been recorded in the "Other payables".

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The income tax expense/(credit) comprises:		
Current tax:		
Hong Kong Profits Tax	1,161	1,722
The PRC CIT	1,287	3,264
	<b>2,448</b>	4,986
Deferred tax:		
Current year	<b>(1,081)</b>	(1,010)
	<b>1,367</b>	3,976

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2018: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

PRC corporate income tax (“**CIT**”) has been provided at the rate of 25% (30 June 2019: 25%) on the estimated assessable profits in Mainland China during the period. LWK Architecture (Shenzhen) Limited, a wholly owned subsidiary of the Company, satisfied the requirements of the relevant local tax bureau as a qualified enterprise in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone and was entitled to a preferential tax rate of 15% (six months ended 30 June 2019: 15%) for the period.

## 7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company of HK\$9,743,000 (six months ended 30 June 2019: HK\$9,865,000), and the weighted average number of ordinary shares of 288,260,780 (six months ended 30 June 2019: 288,260,780) in issue during the period.

The computation of diluted loss per share for the six months period ended 30 June 2020 and 30 June 2019 does not assume the exercise of certain share options granted by the Company because the relevant exercise prices of those options were higher than the relevant average market price of the shares of the Company in both periods.

## 8. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
2018 final dividend of HK2.0 cents per ordinary share	–	5,765
	–	5,765

No interim dividend was proposed by the Company in respect of the six months period ended 30 June 2020 and 30 June 2019.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group acquired equipment and leasehold improvement of approximately HK\$1,930,000 (six months ended 30 June 2019: HK\$8,195,000). Assets with a net book value of HK\$8,466,000 were disposed of or written off by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$2,000), resulting a net loss on disposal of HK\$2,666,000 (six months ended 30 June 2019: HK\$2,000).

During the six months ended 30 June 2020, the Group entered into new lease agreements for the use of office premises with term ranged from 1 to 5 years. The Group is required to make fixed monthly payments. On the lease commencement, the Group recognised the right-of-use assets of HK\$75,769,000 (six months ended 30 June 2019: HK\$19,912,000) and lease liabilities of HK\$74,997,000 (six months ended 2019: HK\$19,790,000), respectively. On termination of lease commencement, the Group has reversal of right-of-use assets of HK\$4,004,000 and lease liabilities of HK\$4,061,000, respectively.

## 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 for credit losses recognised:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Unbilled receivable (note)	<b>77,075</b>	79,513
Within 30 days	<b>46,903</b>	61,488
Over 30 days and within 90 days	<b>39,179</b>	37,482
Over 90 days and within 180 days	<b>16,999</b>	15,985
Over 180 days	<b>23,036</b>	24,425
	<b>203,192</b>	218,893

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

On 30 April 2020, the Group entered into trade receivable factoring with recourse arrangements with a bank in Hong Kong (the "Arrangements"). As at 30 June 2020, no receivables, which are designated in the Arrangements, were measured at fair value through other comprehensive income (Note 14).

## 11. CONTRACT ASSETS

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Comprehensive architectural services	<b>149,007</b>	142,910
BIM services	<b>22,184</b>	17,560
	<b>171,191</b>	160,470
Impairment	<b>(570)</b>	(405)
	<b>170,621</b>	160,065

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In January 2020, the Group entered into a 1-year USD foreign exchange linked note ("Note") with a bank amounting to USD2.5 million ("notional amount"). The Note does not contain an annual coupon and upon the maturity date, the Group would receive the principal of USD2.5 million plus an additional payment. If Renminbi ("RMB") against USD1 was higher than determined rate, the Group would be entitled to an additional payment equal to 8.30% of notional amount at maximum. If RMB against USD1 was equal to or lower than determined rate, the Group would receive the 99% of notional amount. During the six months ended 30 June 2020, the gain on fair value change of financial assets at fair value through profit or loss amounting to HK\$299,000 was charged to profit or loss.

## 13. TRADE PAYABLES

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

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Within 30 days	<b>5,680</b>	4,635
Over 30 days and within 90 days	<b>634</b>	15
Over 90 days	<b>1,550</b>	796
	<b>7,864</b>	5,446

## 14. BANK BORROWINGS

For the six months ended 30 June 2020, the Group made advances drawn of HK\$2,296,000 under the Arrangements, with interest at a premium over Hong Kong Interbank Offered Rate. The Group has fully repaid the loans upon the settlement of relevant trade receivables and there was no outstanding loans as at 30 June 2020.

For the six months ended 30 June 2019, the Group obtained new bank borrowings amounting to HK\$46,000,000. The new bank borrowings are revolved on a monthly basis and the loans carry interest at a premium over Hong Kong Interbank Offered Rate.

## 15. ISSUED CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised</b>		
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	1,000,000,000	10,000
<b>Issued and paid up</b>		
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	288,260,780	2,883

## 16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contracted, but not provided for office equipment	1,263	–

## 17. RELATED PARTY TRANSACTIONS

### (a) Related party transactions

During the six months ended 30 June 2020, the Group recognised revenue of HK\$1,183,000 (six months ended 30 June 2019: HK\$1,655,000) from its comprehensive architectural services and BIM services provided to Beijing General Municipal Engineering Design & Research Institute Co., Ltd. (“**BMEDI**”) and its subsidiaries. As at 30 June 2020, the Group had trade receivables due from BMEDI and its subsidiaries amounting to HK\$3,346,000 (31 December 2019: HK\$7,045,000). BMEDI is a substantial shareholder of the Company.

During the six months ended 30 June 2020, the Group leased a property from BMEDI for an office. The monthly lease payable was determined on a basis mutually agreed by both parties with reference to the prevailing market rent of similar properties located at the surrounding area available to independent third parties. Accordingly, right-of-use assets and lease liabilities of HK\$2,675,000 (31 December 2019: HK\$3,438,000) and HK\$2,663,000 (31 December 2019: HK\$3,383,000) in respect of the leases were recognised in the condensed consolidated statement of financial position as at 30 June 2020. During the six months ended 30 June 2020, depreciation of right-of-use assets of HK\$669,000 (six months ended 30 June 2019: Nil) and interest expense on the lease liabilities of HK\$72,000 (six months ended 2019: Nil) were charged to the condensed consolidated statement of profit or loss and other comprehensive income. During the six months ended 30 June 2020, the Group has made lease payment of HK\$699,000 (six months ended 30 June 2019: Nil).

### (b) The remuneration of directors and other members of key management of the Group during the period were as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, commission and other benefits	16,334	13,328
Contributions to retirement benefits	110	121
Equity settled share-based payments	4,560	3,055
	21,004	16,504



## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

In addition to those disclosed elsewhere, management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, an amount due to a joint venture, interest-bearing bank borrowings, lease liabilities, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments or repayable on demand.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in the Note issued by financial institute in Hong Kong. The Group has estimated the fair value of the Note by market observable inputs including forward rate.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement using			Total
	Quoted	Significant	Significant	
	prices in	observable	unobservable	
	active	inputs	inputs	
markets				
(Level 1)	(Level 2)	(Level 3)		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>As at 30 June 2020 (unaudited)</b>				
Financial assets at fair value				
through profit or loss	–	19,739	–	19,739

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

During the six months ended 30 June 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Same).

## **19. EVENTS AFTER THE REPORTING PERIOD**

On 12 August 2020, isBIM Limited, a subsidiary of the Company entered into a sale and purchase agreement with Advance Blossom Limited to acquire 60% equity interest in Accentrix Company Limited (“**Accentrix**”), a company incorporated in Hong Kong with limited liability, for a consideration of HK\$1,000,000. Accentrix is an information technology consulting firm with leading capacity in design and delivering enterprise solutions. It focuses on developing web-based solutions and mobile application to automate business processes as well as new business model by applying modern technology for clients in construction, property management, retail, high technology and education industries. The acquisition has been completed on 17 August 2020.

## **20. IMPACT OF COVID-19**

Since early 2020, the epidemic of COVID-19 has spread across Hong Kong, the PRC and other countries. Given the continuous spread of the disease, the board of directors considered it is impracticable to estimate the financial impact to the Group as at the date of this interim financial information. The board of directors will closely monitor the development of the COVID-19 and continue to evaluate its impact on the business, the financial position and operating results of the Group. The related impacts will be reflected in the Group’s 2020 annual consolidated financial statements.

## **21. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with the current periods presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### Comprehensive Architectural Services

The Group aimed to strengthen its market position as one of the leading comprehensive architectural service providers in Hong Kong and the PRC. The Group also targeted to achieve greater market penetration into the middle east and south-east Asia.

Amid the severe disruptions caused by coronavirus disease 2019 (“COVID-19” or the “Pandemic”) in the property market, our comprehensive architectural business was experiencing a challenging period in this Pandemic. With the postpone in the confirmation or signing of new contract and the delay in the progress of existing projects, revenue for the six months period ended 30 June 2020 of this sector contributed HK\$281,197,000, representing a decrease of 4.3%. We secured 158 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$392,538,000 as compared with HK\$412,450,000 in corresponding period of 2019, representing a decrease of 4.8%. As at 30 June 2020, the Group had remaining contract sums of approximately HK\$1,484,189,000, increased by 5.2% as compared with HK\$1,411,007,000 at same period of 2019. This high contract value on hand provides potential for slingshot growth to the revenue of the Group after the Pandemic. As our main stream of practice, our traditional sector in architecture contributed approximately 87% of the revenue to our comprehensive architectural services.

#### Building Information Modelling (“BIM”) Services

BIM services of the Group cover BIM consultancy services, digital transformation consultancy services, cloud based BIM platform development, cloud based project management platform development, sale of IT related products and BIM professional training services. The project nature covers smart cities, infrastructure projects, transit projects and large-scale property development.

The cloud based platform and its business nature make BIM sector resilient to the Pandemic. There was a continuous growth in revenue and staggering increment in new contracts value and remaining contract fee on hand.

During the period, the revenue of BIM sector amounted to HK\$32,252,000 when compared to HK\$30,767,000 in same period of 2019, represented an increase of 4.8%. BIM sector successfully secured 46 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$45,778,000, representing an increase of 61.7% when compared to HK\$28,317,000 in same period of 2019. Remaining contract sum as at 30 June 2020 was approximately HK\$106,166,000, increased by 105.6% as compared with HK\$51,643,000 at same period of last year.

We believe that together with the experience and connections of the Group in our traditional architecture services, BIM services will be able to connect our existing architecture services and create extended value to our customers. isBIM Limited (“isBIM”), a subsidiary of the Company, launched a self-developed BIM data management platform “JARVIS” in last year. Clients include

top-ten developers in the PRC and we expect to see incremental growth for JARVIS platform business, with the use of big data and artificial intelligence technology. This digital platform is able to handle data more effectively for clients throughout the whole life cycle of the projects with smart management technology and smart city development, etc., offering a comparative advantage especially when combined with the professional BIM consultancy services.

## **Financial Overview**

### **Revenue**

Despite of the record high contract on hand of the Group, the impact arising from the Pandemic led to extraordinary disruptions to the business activities of the Group. Some of the offices in the PRC were instructed to close temporarily in February and March of this year. The mandated closures of business operations of the government bodies also delayed the progress of the projects due to the Pandemic. This affected the revenue of the Group for the period. During the six months period ended 30 June 2020, the revenue of the Group was HK\$310,835,000, compared with that of HK\$319,133,000 in corresponding period of 2019, representing a decrease of 2.6%.

### **Cost of services**

Cost of services for the six months period ended 30 June 2020 amounted to HK\$250,803,000, when compared with that of HK\$248,466,000 in same period of 2019, representing an increase of 0.9%. Despite of the decrease in revenue and delay in the progress of the projects, cost of services of the Group remained steady, the Group maintained largely of its professional staff for providing quality services to the customers in view of the increased contracts on hand.

### **Gross profit and gross profit margin**

Gross profit for the six months period ended 30 June 2020 amounted to HK\$60,032,000, decreased by 15% when compared with the corresponding period of 2019. Gross profit margin of the Group decreased from 22.1% to 19.3%. The decrease in gross profit margin during the period was due to the decrease in productivity from the aforementioned temporary operation closures and the delay in the progress of projects because of the Pandemic.

### **Administrative expenses**

Administrative expenses for the six months period ended 30 June 2020 amounted to HK\$65,280,000, comparing with the corresponding period in 2019 of HK\$57,317,000, representing an increase of 13.9%. The increase was mainly due to the increase in staff cost and head count for the administrative support.

### **Loss for the period**

Loss for the six months period ended 30 June 2020 was HK\$8,207,000, while the loss for the corresponding period in 2019 was HK\$8,638,000.

## OUTLOOK

As an industry leader in the region, the Group offers diversified comprehensive architectural design services as well as BIM consultancy services to governments and prominent developers. It stands out from its peers in the market with full-spectrum capacities in design and integrated digital delivery.

The outbreak of COVID-19 since December 2019 across the world has inevitably caused negative impacts on the economy in the first half of 2020. Various preventive measures imposed by the relevant governments and corporates have no doubt delayed the progress of the projects. The Group takes an active role to minimise the impact from COVID-19. In the medium run, it is expected that the PRC government will exercise monetary policies to boost the economy. Urban development and infrastructure are some of the most promising areas for investment. The Group is in a good position to benefit from the opportunities. The Group will proactively and continuously evaluate the situation and development of the COVID-19 and spot the right opportunities in the digitalisation processes in the industry to generate the next growth trend.

Despite of the impact of COVID-19, in the coming future, the Group will maximise the benefits of our unique position to materialise the opportunities in the Guangdong-Hong Kong-Macau Greater Bay Area (the “GBA”). The Group provides total design solutions and digital roadmaps for large-scale developments starting all the way from early conception and master planning. Being involved in the early planning stages of these projects not only increases the revenue and the chances of obtaining subsequent contracts in various disciplines for the Group, it also opens up a window for investment opportunities when it comes to good and promising projects. Moreover, the Group will continue to explore the vertical or horizontal expansion of our service chain, for achieving maximum benefits for the Shareholders.

While we maintain our strong position in the current design service market, we are working with goodwill in numerous opportunities in the GBA, all of which are large-scale complex developments and technology-led projects. It is reasonable to anticipate an acceleration of growth in the GBA and overall infrastructure investment when the Pandemic is stabilised. The Group is well equipped to participate in the rapid development in the GBA in the coming future.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	<b>As at 30 June 2020 HK\$'000</b>	As at 31 December 2019 HK\$'000
Current assets	<b>618,844</b>	656,961
Current liabilities	<b>271,866</b>	308,838
Current ratio	<b>2.28</b>	2.13

The current ratio of the Group at 30 June 2020 was 2.28 times as compared to that of 2.13 times at 31 December 2019. It was mainly resulted from the decrease of other payables and accruals of HK\$23,228,000 and repayment of interest-bearing bank borrowings of HK\$15,309,000 during the period.

At 30 June 2020, the Group had total bank balances and cash of HK\$201,229,000 (31 December 2019: HK\$268,193,000). The unutilised general banking facilities was approximately HK\$57,290,000 as at 30 June 2020 (31 December 2019: HK\$35,000,000).

At 30 June 2020, the gearing ratio of the Group (represented by bank borrowings divided by equity) amounted to approximately 21.4% (31 December 2019: 24.7%).

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 2020. The capital of the Company comprises only ordinary shares.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 30 June 2020.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group employed around 1,200 (30 June 2019: around 1,200) employees.

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

The Group offers competitive remuneration and benefit package to our employees. Our employee benefits include mandatory provident fund scheme in Hong Kong, employee pension schemes in the PRC, medical coverage, insurance, training and development programs and share options that were granted or may be granted under the appropriate share option schemes of the Company and its subsidiary.

## **FOREIGN EXCHANGE EXPOSURE**

Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. As at 30 June 2020, 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 2020, 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 2020, the interests and short positions of the Directors and the chief executive and their associates in the shares, share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### (1) Long positions

Name of Director	Company/name of associated company	Nature of interest	Number of ordinary shares held	Approximate of percentage of shareholding
Mr. Liang Ronald	The Company	Interest in a controlled corporation	69,398,000	24.07%
	The Company	Beneficial interest	6,272,000	2.17%
	The Company	Beneficial interest	12,000,000 <sup>(Note 1)</sup>	4.16%
Mr. Liu Gui Sheng	The Company	Beneficial interest	12,000,000 <sup>(Note 1)</sup>	4.16%
Mr. Fu Chin Shing	The Company	Interest in a controlled corporation	25,662,000	8.90%
	The Company	Beneficial interest	8,724,000	3.02%
	The Company	Interest of spouse	298,000 <sup>(Note 2)</sup>	0.10%
	The Company	Beneficial interest	9,100,000 <sup>(Note 1)</sup>	3.15%
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	6,800,000 <sup>(Note 1)</sup>	2.35%
	The Company	Interest of spouse	200,000 <sup>(Note 3)</sup>	0.06%
	The Company	Interest of spouse	900,000 <sup>(Note 1)</sup>	0.31%
Mr. Liu Yong	The Company	Beneficial interest	3,000,000 <sup>(Note 1)</sup>	1.04%
Mr. Ma Kwai Lam Lambert	The Company	Beneficial interest	250,000	0.08%
	The Company	Beneficial interest	3,000,000 <sup>(Note 1)</sup>	1.04%

- Note:
- (1) These represent the shares to be issued and allotted by the Company upon exercise of the options granted under the share option scheme (the “**Share Option Scheme**”) of the Company.
  - (2) Mr. Fu Chin Shing, being spouse of Ms. Chung Wai Chi, Connie, is deemed to be interested in 298,000 shares held by Ms. Chung under the SFO.
  - (3) Mr. Wang Jun You, being spouse of Ms. Li Min, is deemed to be interested in 200,000 shares held by Ms. Li under the SFO.

## **(2) Short positions**

Save as disclosed above, as at 30 June 2020, none of the Directors nor chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange under the Model Code.

## **SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

Save as disclosed below, as at 30 June 2020, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than the Directors or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the shares, underlying shares or debentures of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, recorded in the register required to be kept under section 336 of the SFO were as follows:



Long positions in the shares of the Company:

Name of Shareholder	Capacity	Total number of ordinary shares	Percentage of total issued share capital in the Company
Beijing Enterprises Group Company Limited	Interested in a controlled corporation (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)	25,662,000	8.90%
Jun Ming Investments Limited	Beneficial owner (Note 4)	12,940,000	4.48%
Ms. Liang Sharon	Interest of spouse (Note 5)	87,670,000	30.41%
Ms. Chung Wai Chi, Connie	Interest of spouse (Note 6)	43,486,000	15.08%
	Beneficial owner	298,000	0.10%
Ms. Li Min	Interest of spouse (Note 7)	21,190,000	7.35%
	Beneficial owner (Note 8)	1,100,000	0.38%

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 87,670,000 shares held by Mr. Liang under the SFO.
6. Ms. Chung Wai Chi, Connie, being spouse of Mr. Fu Chin Shing, is deemed to be interested in the 43,486,000 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 21,190,000 shares held by Mr. Wang under the SFO.
8. It represents the interest in 200,000 shares and the interest in 900,000 shares to be issued and allotted by the Company upon exercise of the share options granted under the Share Option Scheme.

## SHARE OPTION SCHEMES

Share Option Scheme has been adopted to provide incentives or rewards to eligible persons for their contribution to the Group and to enable the Group to recruit and retain high-calibre employees. Details of which have been set out in the Company's 2019 annual report. The movement during the period and the options outstanding as at 30 June 2020 were as follows:

### Share Option Scheme

Category of grantees	Date of grant	Exercise Price per share	As at 1 January 2020	Granted during the period	Exercised during the period	Forfeited during the period	As at 30 June 2020	Exercise period
<b>Executive Directors</b>								
– Liang Ronald	28/9/2017	HK\$2.49	3,500,000	–	–	–	3,500,000	(Note 1)
	1/11/2018	HK\$2.334	3,500,000	–	–	–	3,500,000	(Note 2)
	28/11/2019	HK\$1.55	5,000,000	–	–	–	5,000,000	(Note 3)
– Liu Gui Sheng	28/9/2017	HK\$2.49	3,500,000	–	–	–	3,500,000	(Note 1)
	1/11/2018	HK\$2.334	3,500,000	–	–	–	3,500,000	(Note 2)
	28/11/2019	HK\$1.55	5,000,000	–	–	–	5,000,000	(Note 3)
– Fu Chin Shing	28/9/2017	HK\$2.49	2,800,000	–	–	–	2,800,000	(Note 1)
	1/11/2018	HK\$2.334	2,800,000	–	–	–	2,800,000	(Note 2)
	28/11/2019	HK\$1.55	3,500,000	–	–	–	3,500,000	(Note 3)
– Wang Jun You	28/9/2017	HK\$2.49	1,800,000	–	–	–	1,800,000	(Note 4)
	1/11/2018	HK\$2.334	2,200,000	–	–	–	2,200,000	(Note 5)
	28/11/2019	HK\$1.55	2,800,000	–	–	–	2,800,000	(Note 3)
– Liu Yong	28/9/2017	HK\$2.49	1,000,000	–	–	–	1,000,000	(Note 1)
	1/11/2018	HK\$2.334	1,000,000	–	–	–	1,000,000	(Note 2)
	28/11/2019	HK\$1.55	1,000,000	–	–	–	1,000,000	(Note 3)
– Ma Kwai Lam Lambert	28/9/2017	HK\$2.49	1,000,000	–	–	–	1,000,000	(Note 4)
	1/11/2018	HK\$2.334	1,000,000	–	–	–	1,000,000	(Note 5)
	28/11/2019	HK\$1.55	1,000,000	–	–	–	1,000,000	(Note 3)
Senior management and other employees	28/9/2017	HK\$2.49	10,560,000	–	–	(90,000)	10,470,000	(Note 4)
	1/11/2018	HK\$2.334	4,100,000	–	–	–	4,100,000	(Note 5)
	28/11/2019	HK\$1.55	4,100,000	–	–	–	4,100,000	(Note 3)
Consultants	3/4/2017	HK\$3.29	3,800,000	–	–	(3,800,000)	–	(Note 6)
			68,460,000	–	–	(3,890,000)	64,570,000	

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 1 November 2023 to 31 October 2025 (both date inclusive).

Note 3: The share options can be exercised from 28 November 2022 to 27 November 2024 (both dates inclusive).

Note 4: The share options can be exercised from 28 September 2020 to 27 September 2022 (both dates inclusive).

Note 5: The share options can be exercised from 1 November 2021 to 31 October 2023 (both date inclusive).

Note 6: The share options can be exercised from 3 April 2019 to 2 April 2020 (both dates inclusive).

As at the date of this report, 64,570,000 shares are issuable for options granted under the Share Option Scheme representing approximately 22.4% 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 2020, 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 2020 or at any time during the six months ended 30 June 2020.

## **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 2020, as required to be disclosed under Rule 8.10(2) of the Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with the Model Code and its code of conduct regarding securities transactions by the Directors during the six months ended 30 June 2020.

## 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 2020.

## 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 2020.

## PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2020 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](http://www.hkexnews.hk)) and the Company ([www.cchengholdings.com](http://www.cchengholdings.com)) in due course.

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

Hong Kong, 28 August 2020

*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.*