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C CHENG HOLDINGS LIMITED

思城控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1486)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

BUSINESS HIGHLIGHTS

- Total new signed and supplementary contracts secured by the Group during the period totaled HK\$441,242,000 (six months ended 30 June 2021: HK\$523,984,000), representing a decrease of HK\$82,742,000 or 15.8%; and
- Remaining contract sums totaled HK\$1,848,617,000 (six months ended 30 June 2021: HK\$1,801,009,000), representing an increase of HK\$47,608,000 or 2.6%.

FINANCIAL HIGHLIGHTS

- Revenue of the Group was HK\$340,202,000 (six months ended 30 June 2021: HK\$425,158,000), representing a decrease of 20.0% from the same period of previous financial year;
- Loss for the period was HK\$9,931,000 (six months ended 30 June 2021: HK\$401,000);
- Basic loss per share was HK4.02 cents (six months ended 30 June 2021: basic loss per share of HK1.45 cents);
- Diluted loss per share was HK4.02 cents (six months ended 30 June 2021: diluted loss per share of HK1.44 cents); and
- No interim dividend was declared.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (“**Board**”) of directors (the “**Directors**”) of C Cheng Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with the comparative unaudited figures for the corresponding period in 2021 as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	340,202	425,158
Cost of sales		(288,496)	(339,894)
Gross profits		51,706	85,264
Other income and losses, net		8,144	4,394
(Loss)/gain on fair value changes of financial assets at fair value through profit or loss		(1,681)	1,857
Impairment losses on financial and contract assets, net		(4,055)	(2,152)
Administrative expenses		(63,478)	(84,419)
Share of loss of a joint venture		(47)	(269)
Share of loss of an associate		(89)	–
Finance costs		(2,291)	(2,848)
(Loss)/profit before tax	4	(11,791)	1,827
Income tax credit/(expense)	5	1,860	(2,228)
Loss for the period		(9,931)	(401)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(8,915)	2,965
Other comprehensive (loss)/income for the period		(8,915)	2,965
Total comprehensive (loss)/income for the period		(18,846)	2,564
(Loss)/profit for the period attributable to:			
Owners of the Company		(11,596)	(4,174)
Non-controlling interests		1,665	3,773
		(9,931)	(401)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(20,454)	(1,370)
Non-controlling interests		1,608	3,934
		(18,846)	2,564
Loss per share (expressed in HK cents)	6		
– Basic		(4.02)	(1.45)
– Diluted		(4.02)	(1.44)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	98,934	124,798
Goodwill		15,443	15,655
Intangible assets		11,198	11,434
Investment in a joint venture		3,922	4,156
Investment in an associate		253	355
Prepayments and deposits		10,796	11,870
Deferred tax assets		9,915	6,726
Total non-current assets		<u>150,461</u>	<u>174,994</u>
Current assets			
Trade receivables	9	226,267	228,442
Contract assets	10	242,663	226,778
Financial assets at fair value through profit or loss	11	14,040	17,203
Prepayments, deposits, other receivables and other assets		58,240	57,979
Amounts due from related parties		1,500	–
Cash and bank balances		143,418	198,128
Total current assets		<u>686,128</u>	<u>728,530</u>
Current liabilities			
Trade payables	12	16,668	9,913
Other payables and accruals		31,392	78,401
Contract liabilities		106,586	103,478
Interest-bearing bank borrowings	13	75,141	67,671
Other interest-bearing borrowings	13	4,879	6,146
Lease liabilities		31,391	35,257
Tax payable		5,185	4,680
Total current liabilities		<u>271,242</u>	<u>305,546</u>
Net current assets		<u>414,886</u>	<u>422,984</u>
Total assets less current liabilities		<u>565,347</u>	<u>597,978</u>
Non-current liabilities			
Other interest-bearing borrowings	13	2,234	2,508
Provision		2,160	–
Lease liabilities		52,962	72,169
Deferred tax liabilities		1,381	1,249
Total non-current liabilities		<u>58,737</u>	<u>75,926</u>
Net assets		<u>506,610</u>	<u>522,052</u>
Equity			
Issued capital	14	2,883	2,883
Reserves		448,988	466,029
Equity attributable to owners of the Company		<u>451,871</u>	<u>468,912</u>
Non-controlling interests		54,739	53,140
Total equity		<u>506,610</u>	<u>522,052</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company							Non-controlling interests (unaudited) HK\$'000	Total (unaudited) HK\$'000	
	Issued capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	PRC statutory reserve (unaudited) HK\$'000 (Note a)	Share option reserve (unaudited) HK\$'000	Other reserve (unaudited) HK\$'000 (Note b)	Exchange fluctuation reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000			Sub-total (unaudited) HK\$'000
At 1 January 2021	2,883	283,501	10,593	30,613	(47,359)	1,163	165,079	446,473	46,601	493,074
Loss for the period	-	-	-	-	-	-	(4,174)	(4,174)	3,773	(401)
Other comprehensive income for the period:										
Exchange differences related to foreign operations	-	-	-	-	-	2,804	-	2,804	161	2,965
Total comprehensive income for the period	-	-	-	-	-	2,804	(4,174)	(1,370)	3,934	2,564
Equity-settled share-option arrangements	-	-	-	11,155	-	-	-	11,155	-	11,155
Transfer of share option reserve to retained profits	-	-	-	(26)	-	-	26	-	-	-
Transfer of share option reserve upon the cancellation of share options	-	-	-	(12,285)	-	-	12,285	-	-	-
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	727	727
At 30 June 2021	2,883	283,501	10,593	29,457	(47,359)	3,967	173,216	456,258	51,262	507,520
At 1 January 2022	2,883	283,501*	10,593*	33,610*	(47,359)*	9,434*	176,250*	468,912	53,140	522,052
Loss for the period	-	-	-	-	-	-	(11,596)	(11,596)	1,665	(9,931)
Other comprehensive loss for the period:										
Exchange differences related to foreign operations	-	-	-	-	-	(8,858)	-	(8,858)	(57)	(8,915)
Total comprehensive loss for the period	-	-	-	-	-	(8,858)	(11,596)	(20,454)	1,608	(18,846)
Equity-settled share-option arrangements	-	-	-	3,413	-	-	-	3,413	-	3,413
Capital reduction of a subsidiary	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Disposal of a subsidiary (Note 17)	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	1,991	1,991
At 30 June 2022	2,883	283,501*	10,593*	37,023*	(47,359)*	576*	164,654*	451,871	54,739	506,610

* These reserve accounts comprise the consolidated reserves at HK\$448,988,000 (31 December 2021: HK\$466,029,000) 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 the 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 enterprise's 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Operating cash flows before movements in working capital	21,209	43,010
Increase in contract assets	(26,537)	(23,403)
Increase in trade receivables	(5,158)	(28,847)
Increase in prepayments, deposits, other receivables and other assets	(2,523)	(14,606)
Decrease in other payables and accruals	(39,530)	(35,698)
Increase/(decrease) in contract liabilities	10,104	(5,921)
Movement in other working capital	7,010	(8,796)
Income taxes paid	(415)	(1,529)
	<u>(35,840)</u>	<u>(75,790)</u>
Investing activities		
Purchases of property, plant and equipment	(7,552)	(4,216)
Purchases of financial assets at fair value through profit or loss	(5,244)	(7,829)
Proceeds from disposal of financial assets at fair value through profit or loss	6,558	22,389
Capital contribution from non-controlling interest	1,991	–
Net cash flow on disposal of a subsidiary	(1,153)	–
Other investing cash flows	(309)	2,382
	<u>(5,709)</u>	<u>12,726</u>
Financing activities		
New bank borrowings	42,000	19,028
Repayment of bank borrowings	(34,530)	(5,674)
Principal portion of lease payments	(18,458)	(22,800)
Other financing cash flows	(1,541)	32
	<u>(12,529)</u>	<u>(9,414)</u>
Net decrease in cash and cash equivalents	(54,078)	(72,478)
Cash and cash equivalents at beginning of the period	198,128	228,412
Effect of foreign exchange rate changes	(632)	1,504
	<u>197,496</u>	<u>229,916</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>143,418</u>	<u>157,438</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 information is 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 information for the six months ended 30 June 2022 has 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. 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 2021.

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 2021, 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

Amendments to HKAS 16

Amendments to HKAS 37

*Annual Improvements to HKFRSs
2018-2020*

Reference to the Conceptual Framework

*Property, Plant and Equipment: Proceeds before
Intended Use*

Onerous Contracts – Cost of Fulfilling a Contract

Amendments to HKFRS 1, HKFRS 9, Illustrative

Examples accompanying HKFRS 16, and HKAS 41

The adoption of the above revised HKFRSs has had no significant effect on the interim condensed consolidated financial information. The Group has not early applied any new or amended standards or interpretations that is not yet effective for the current accounting period.

3. OPERATING SEGMENT INFORMATION

Revenue represents the contract revenue from comprehensive architectural services and BIM services recognised over time during the period and sales of IT products recognised at a point in time.

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, sales of IT products, IT 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 profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that certain other income, share of loss of a joint venture, share of loss of an associate, gain/(loss) on fair value changes of financial assets at fair value through profit or loss, certain share option expenses 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 2022 (Unaudited)

	Comprehensive architectural services <i>HK\$'000</i>	BIM services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
<i>Timing of revenue recognition</i>			
Sale of IT products at a point in time	–	10,602	10,602
Services transferred over time	274,482	55,118	329,600
Revenue from contracts with customers	<u>274,482</u>	<u>65,720</u>	<u>340,202</u>
<i>Type of goods or services</i>			
Architecture services	253,141	–	253,141
Landscape architecture, town planning, interior design and heritage conservation services	21,341	–	21,341
BIM services	–	55,118	55,118
Sale of IT products	–	10,602	10,602
Revenue from contracts with customers	<u>274,482</u>	<u>65,720</u>	<u>340,202</u>
Intersegment revenue	–	1,472	1,472
Segment revenue	274,482	67,192	341,674
Reconciliation:			
Elimination of intersegment revenue			<u>(1,472)</u>
External revenue			<u>340,202</u>
Segment results	<u>(14,339)</u>	<u>5,223</u>	<u>(9,116)</u>
Reconciliation			
Unallocated other income			297
Share of loss of a joint venture			(47)
Share of loss of an associate			(89)
Loss on fair value changes of financial assets at fair value through profit or loss			(1,681)
Share option expenses recognised			(30)
Other unallocated corporate expenses			<u>(1,125)</u>
Loss before tax			<u>(11,791)</u>

For the six months ended 30 June 2021 (Unaudited)

	Comprehensive architectural services <i>HK\$'000</i>	BIM services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
<i>Timing of revenue recognition</i>			
Sale of IT products at a point in time	–	9,210	9,210
Services transferred over time	364,935	51,013	415,948
	<u>364,935</u>	<u>51,013</u>	<u>415,948</u>
Revenue from contracts with customers	<u>364,935</u>	<u>60,223</u>	<u>425,158</u>
<i>Type of goods or services</i>			
Architecture services	326,099	–	326,099
Landscape architecture, town planning, interior design and heritage conservation services	38,836	–	38,836
BIM services	–	51,013	51,013
Sale of IT products	–	9,210	9,210
	<u>364,935</u>	<u>60,223</u>	<u>425,158</u>
Revenue from contracts with customers	<u>364,935</u>	<u>60,223</u>	<u>425,158</u>
Intersegment revenue	–	5,148	5,148
Segment revenue	364,935	65,371	430,306
Reconciliation:			
Elimination of intersegment revenue			<u>(5,148)</u>
External revenue			<u>425,158</u>
Segment results	<u>1,059</u>	<u>8,294</u>	9,353
Reconciliation			
Unallocated other income			351
Share of loss of a joint venture			(269)
Gain on fair value changes of financial assets at fair value through profit or loss			1,857
Share option expenses recognised			(6,702)
Other unallocated corporate expenses			<u>(2,763)</u>
Profit before tax			<u>1,827</u>

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 financial assets included in prepayments and deposits.

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Geographical markets				
Mainland China	188,203	282,851	61,734	70,852
Hong Kong	135,654	124,998	68,043	82,934
Macau	–	2,925	–	–
Others	16,345	14,384	2,210	2,653
	340,202	425,158	131,987	156,439

4. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of sale of IT products	8,905	7,523
Cost of services rendered	279,591	332,371
Depreciation of property, plant and equipment	23,219	30,191
Amortisation of intangible assets ¹	928	858
Loss on disposal of property, plant and equipment	22	–
Loss on lease modification, net	–	225
Loss/(gain) on fair value changes of financial assets at fair value through profit or loss	1,681	(1,857)
Government subsidy ²	(8,007)	(252)
Staff costs including directors' and chief executives' remunerations		
– Salaries, allowances, and other benefits	232,394	258,954
– Contributions to retirement benefit schemes	11,394	10,207
– Equity-settled share-based payments recognised ³	3,413	11,155
	247,201	280,316
Impairment losses recognised on		
– Trade receivables	2,032	792
– Contract assets	2,023	1,360
	4,055	2,152

Notes:

- (1) Included in cost of sales.
- (2) As at 30 June 2022, the Group received subsidy of HK\$3,588,000 from the Employment Support Scheme introduced by The Government of the Hong Kong Special Administrative Region as a time-limited financial support to retain employment, the amount of HK\$6,608,000 has been included in the “Other income and losses, net” and the remaining amount of HK\$3,020,000 has been recorded in prepayments, deposits, other receivables and other assets.
- (3) During the six months ended 30 June 2021, certain share options were cancelled within the vesting period, share option expenses of HK\$6,179,000, which represented the share option expenses that otherwise would have been recognised over the remainder of the vesting period, have been accelerated for vesting upon the cancellation of these share options.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The income tax expense/(credit) comprises:		
Current tax:		
Hong Kong Profits Tax	310	1,955
PRC Enterprise Income Tax (“EIT”)	887	2,274
	<u>1,197</u>	<u>4,229</u>
Deferred tax	<u>(3,057)</u>	<u>(2,001)</u>
	<u>(1,860)</u>	<u>2,228</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 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 2018/19. The first HK\$2,000,000 (six months ended 30 June 2021: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (six months ended 30 June 2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

EIT in Mainland China has been provided at the rate of 25% (six months ended 30 June 2021: 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 2021: 15%) for the period. Certain subsidiaries of the Company satisfied the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises. The first RMB1,000,000 (six months ended 30 June 2021: RMB1,000,000) taxable income shall be included in its taxable income at the reduced rate of 25% (six months ended 30 June 2021: 25%), with the applicable enterprise income tax rate of 20% (six months ended 30 June 2021: 20%), and the annual taxable income not less than RMB1,000,000 (six months ended 30 June 2021: RMB1,000,000) nor more than RMB3,000,000 (six months ended 30 June 2021: RMB3,000,000) shall be included in its taxable income at the reduced rate at 50% (six months ended 30 June 2021: 50%), with the applicable enterprise income tax rate at 20% (six months ended 30 June 2021: 20%).

6. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic and diluted loss per share are based on:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	<u>(11,596)</u>	<u>(4,174)</u>
	Number of Shares	
	2022	2021
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basis loss per share calculation	288,260,780	288,260,780
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>–</u>	<u>910,286</u>
	<u>288,260,780</u>	<u>289,171,066</u>

The computation of diluted loss per share for the six months ended 30 June 2022 does not assume the exercise of share options granted by the Company because this will give an anti-dilutive effect.

7. DIVIDENDS

No interim dividend was proposed by the Company nor any dividend recognised as distribution in respect of the six months period ended 30 June 2022 and 30 June 2021.

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

During the six months ended 30 June 2022, the Group acquired equipment and leasehold improvement of approximately HK\$7,552,000 (six months ended 30 June 2021: HK\$4,216,000). Assets with a net book value of HK\$22,000 (six months ended 30 June 2021: Nil) were disposed of or written off by the Group during the six months ended 30 June 2022, resulting a net loss on disposal of HK\$22,000 (six months ended 30 June 2021: Nil) for that period.

During the six months ended 30 June 2022, 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\$2,837,000 (six months ended 30 June 2021: HK\$45,540,000) and lease liabilities of HK\$2,837,000 (six months ended 30 June 2021: HK\$45,187,000), respectively. During the six months ended 30 June 2021, the

Group has entered into certain surrender agreements to early terminate certain leases of office premises. Upon commencement of termination of leases, the Group has derecognised right-of-use assets of HK\$16,438,000 and lease liabilities of HK\$17,590,000, respectively.

The Group has disposed a subsidiary in April 2022. Equipment and leasehold improvement of HK\$5,583,000 and right-of-use assets of HK\$5,064,000, in relation to disposal of a subsidiary has been derecognised. For details of the disposal, please refer to note 17 to the financial statements.

9. 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:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Unbilled receivables (<i>Note</i>)	71,797	62,346
Within 30 days	65,372	59,491
Over 30 days and within 90 days	28,302	53,226
Over 90 days and within 180 days	16,865	23,075
Over 180 days	43,931	30,304
	226,267	228,442

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

10. CONTRACT ASSETS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Comprehensive architectural services	195,588	182,985
BIM services	51,011	45,706
	246,599	228,691
Impairment	(3,936)	(1,913)
	242,663	226,778

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Listed equity investments, at fair value	14,040	17,203

The above listed equity investments were listed in Hong Kong and overseas. They were classified as financial assets at fair value through profit or loss as they are held for trading.

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 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Within 30 days	10,214	4,164
Over 30 days and within 90 days	4,595	1,463
Over 90 days	1,859	4,286
	16,668	9,913

13. INTEREST-BEARING BANK BORROWINGS AND OTHER INTEREST-BEARING BORROWINGS

For the six months ended 30 June 2022, the Group drew down new bank borrowings amounting to HK\$42,000,000 which are revolved in monthly basis, carry interest at a premium over HIBOR. The Group also repaid bank borrowings amounting to HK\$34,530,000 during the six months ended 30 June 2022.

For the six months ended 30 June 2022, the other interest-bearing borrowings were unsecured, bear interest at rates ranging from 3.64% to 5.37% (31 December 2021: 3.04% to 3.16%) and repayable within one to five years (31 December 2021: one to five years). As at 30 June 2022, the balance was denominated in HK\$ (31 December 2021: HK\$).

14. ISSUED CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>1,000,000,000</u>	<u>10,000</u>
Issued and paid up		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>288,260,780</u>	<u>2,883</u>

15. COMMITMENTS

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

As at 30 June 2022 and 31 December 2021, the Group had a capital commitment in respect of its investments in a joint venture of HK\$10,000,000 which has been contracted but not provided for in the condensed consolidated financial information.

16. CONTINGENT LIABILITIES

As at 30 June 2022, the Group provides guarantees amounting to HK\$5,313,000 (31 December 2021: HK\$4,136,000) to secure service performance bonds issued by a bank on behalf of a subsidiary's performance obligation on certain projects.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and at the end of the reporting period after taking into consideration the possibility of the default by the subsidiary was minimal. Accordingly, no value has been recognised in the condensed consolidated financial information.

17. DISPOSAL OF A SUBSIDIARY

In April 2022, the Group entered into agreements with Mr. Liang Ronald and Mr. Fu Chin Shing, Directors and shareholders of the Company, to dispose its entire 60% of the issued share capital of Nameless (Hong Kong) Limited ("**Nameless**"), a non-wholly owned subsidiary of the Group, at the consideration of HK\$1,500,000. The transaction was completed in April 2022. The net assets disposed of in the transaction was approximately HK\$2,500,000, no gain or loss was recognised for the transaction.

18. RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the six months ended 30 June 2022, the Group recognised revenue of HK\$1,614,000 (six months ended 30 June 2021: HK\$1,130,000) 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 2022, the Group had trade receivables due from BMEDI and its subsidiaries amounting to HK\$1,946,000 (31 December 2021: HK\$2,246,000). BMEDI is a substantial shareholder of the Company.

During the six months ended 30 June 2022, the Group leased an office from BMEDI. 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. As at 30 June 2022, the lease was expired and accordingly, right-of-use assets and lease liabilities of Nil (31 December 2021: HK\$743,000) and Nil (31 December 2021: HK\$765,000) in respect of the leases were recognised in the condensed consolidated statement of financial position as at 30 June 2022. During the six months ended 30 June 2022, depreciation of right-of-use assets of HK\$733,000 (six months ended 30 June 2021: HK\$727,000) and interest expense on the lease liabilities of HK\$10,000 (six months ended 30 June 2021: HK\$45,000) were charged to the condensed consolidated statement of profit or loss and other comprehensive income. During the six months ended 30 June 2022, the Group has made lease payment of HK\$765,000 (six months ended 30 June 2021: HK\$760,000).

In April 2022, the Group disposed its entire 60% of the issued share capital of Nameless, a non-wholly owned subsidiary of the Group to Mr. Liang Ronald and Mr. Fu Chin Shing, Directors and shareholders of the Company. Pursuant to the agreements, Mr. Liang Ronald and Mr. Fu Chin Shing shall each acquire 30% of the issued share capital of Nameless at the consideration of HK\$750,000. For details, please refer to note 17 to the financial information.

As at 30 June 2022, the Group has amounts due from Mr. Liang Ronald and Mr. Fu Chin Shing at HK\$750,000 each respectively, the aggregate amount of HK\$1,500,000 is unsecured, interest free and repayable on demand.

The related party transactions were connected transactions under Chapter 14A of the Listing Rules. The Group has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

(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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, commission and other benefits	15,961	21,895
Contributions to retirement benefits	133	133
Equity settled share-based payments recognised	2,829	10,014
	<u>18,923</u>	<u>32,042</u>

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, trade payables, financial assets included in prepayments, deposits, other receivables and other assets, amounts due from related parties, interest-bearing bank borrowings, current portion of other interest-bearing borrowings, 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 Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The financial controller reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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:

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobserved inputs
	30 June 2022	31 December 2021			
	HK\$'000	HK\$'000			
	(Unaudited)	(Audited)			
Financial assets at fair value through profit or loss – listed equity investments	<u>14,040</u>	<u>17,203</u>	Level 1	Based on the quoted market price	N/A

The fair value of the non-current portion of other interest-bearing borrowings, which approximate to its carrying amount, has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The change in fair value as a result of the Group's own non-performance risk for the above financial instrument as at 30 June 2022 was assessed to be insignificant.

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

During the six months ended 30 June 2022 and 2021, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for financial assets.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first half of 2022 is a challenging year worldwide. The global economic landscape witnessed vast changes amid the COVID-19 pandemic ranging unabated around the world, the on-going Russia-Ukraine conflict, and the U.S. Federal Reserve's unusual interest rate hikes. The severe slowdown in the property market in Mainland China and the tightening policies from the government and financial institutions impacted the dynamics of the real estate sector in Mainland China. This gloomy economy was worsen by the persistent outbreak of the COVID-19 pandemic with lockdown and stringent quarantine measures across different cities in the first half of the year.

Comprehensive Architectural Services

The Group aimed to strengthen its market position as one of the leading comprehensive architectural service providers in Hong Kong and Mainland China.

Segment revenue for the six months period ended 30 June 2022 of this sector contributed HK\$274,482,000, representing a decrease of 24.8%. We secured 101 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$363,748,000 as compared with HK\$457,264,000 in corresponding period of 2021, representing a decrease of 20.5%. As at 30 June 2022, the Group had remaining contract sums of approximately HK\$1,643,408,000, as compared with HK\$1,644,014,000 at same date of 2021. This high contract value on hand provides potential for slingshot growth to the revenue of the Group in the future. As our main stream of practice, our traditional sector in architecture contributed approximately 92.2% 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.

During the six months ended 30 June 2022, the segment revenue of BIM sector amounted to HK\$67,192,000 when compared to HK\$65,371,000 in same period of 2021, represented an increase of 2.8%. BIM sector successfully secured 127 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$77,494,000, representing an increase of 16.1% when compared to HK\$66,720,000 in same period of 2021. Remaining contract sum as at 30 June 2022 was approximately HK\$205,209,000, increased by 30.7% as compared with HK\$156,995,000 at same date of last year.

We believe that together with the experience and connections of the Group in our traditional architecture services, isBIM will be able to connect our existing architecture services and create extended value to our customers. The self-developed BIM data management platform “JARVIS” has huge client base include top-ten developers in Mainland China and we expect to see incremental growth for JARVIS platform business in the coming future, 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

During the six months period ended 30 June 2022, the revenue of the Group was HK\$340,202,000, compared with that of HK\$425,158,000 in corresponding period of 2021, representing a decrease of 20.0%. Decrease in the current period was mainly due to the severe decline in revenue in Mainland China, which decreased from HK\$282,851,000 to HK\$188,203,000 when comparing with the same period of 2021.

Cost of services

Cost of services for the six months period ended 30 June 2022 amounted to HK\$288,496,000, when compared with that of HK\$339,894,000 in same period of 2021, representing a decrease of 15.1%. Decrease in current period was mainly represented by the cost reduction of the operation of the Group in Mainland China. During the six months period ended 30 June 2022, the Group had reduced the professional team in response to the slowdown in the property market in Mainland China.

Gross profit and gross profit margin

Gross profit for the six months period ended 30 June 2022 amounted to HK\$51,706,000, decreased by 39.4% when compared with the corresponding period of 2021. Gross profit margin of the Group decreased from 20.1% to 15.2%. The decrease in gross profit margin during the period was due to the suffering of productivity from the temporary operation closures at certain premises of the Group in Mainland China during the period due to the widespread outbreak of the pandemic as well as the delay in progress of projects due to the general credits tightening measures imposed by relevant government authorities and financial institutions, which increased the pressure on the liquidity of capital to the property developers.

Administrative expenses

Administrative expenses for the six months period ended 30 June 2022 amounted to HK\$63,478,000, comparing with the corresponding period in 2021 of HK\$84,419,000, representing a decrease of 24.8%. The decrease was mainly due to the decrease in staff cost and headcount for the management and administrative support.

Loss for the period

Loss for the six months period ended 30 June 2022 was HK\$9,931,000, compared with the corresponding period in 2021 of loss of HK\$401,000.

OUTLOOK

The first half of 2022 posed a pivotal challenge for the Group and the overall industry.

The property market in Mainland China has experienced a prolonged severe slowdown while the PRC government and financial institutions continued to exercise tightening policies, both having a major impact on the dynamics of the real estate sector in Mainland China. Drastic policy changes have induced widespread market uncertainties with investors, property developers and buyers showing a high level of prudence in their financial decisions, let alone new ventures. Low liquidity overall and a lack of financial confidence among developers have led to the suspension and delay of projects.

The persistent outbreak of the COVID-19 pandemic in Mainland China and Hong Kong and a series of strict lockdowns and stringent quarantine measures across different cities has put additional pressure on the industry, adversely affecting the pace and progress of the Group's projects during the period. Though the impact of the pandemic is expected to extend well into the second half of 2022, the Group will continue to exercise effective change management and minimise project disruptions through innovative PropTech and close communications with clients and partners.

In the longer term, the Group remains cautiously optimistic about the development in the real estate market in Mainland China and Hong Kong.

The Hong Kong government's proposal to develop Northern Metropolis at its border with Shenzhen is a huge boost to the local market. The large-scale development area is expected to see a high population growth, providing generous opportunities for new housing and renewed market interest for commercial and industrial properties due to the area's positioning as Hong Kong's new innovation hub. At the same time, development of the Northern Metropolis will better connect Hong Kong with the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), strengthening its role as a reliable source of high-quality professional services. The Group will also benefit from the Mainland's increasing recognition of architectural and engineering capabilities from Hong Kong and Macau, which promotes talent mobility and lowers market barriers.

Looking ahead, the Group will continue to respond actively to the growing demand for carbon-neutral projects across the country. Our well-rounded expertise in energy efficient design, digitalisation and future-ready experience across the building life-cycle is well positioned to capture growing business opportunities in the transition towards net zero.

On the whole, the Group will stay sharp and monitor ongoing development in our key markets and the global economic environment. With competitive full-range built environment services, the Group will continue to capitalise on extensive urbanisation and growing demands for integrated services to explore new businesses or investment opportunities to create value for our shareholders and society.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Current assets	686,128	728,530
Current liabilities	271,242	305,546
Current ratio	2.53	2.38

The current ratio of the Group at 30 June 2022 was 2.53 times as compared to that of 2.38 times at 31 December 2021. It was mainly resulted from the decrease in other payables and accruals contributed by the payment of annual bonus during the period.

At 30 June 2022, the Group had total bank balances and cash of HK\$143,418,000 (31 December 2021: HK\$198,128,000). The unutilised general banking facilities was approximately HK\$88,000,000 as at 30 June 2022 (31 December 2021: HK\$58,000,000).

At 30 June 2022, the gearing ratio of the Group (represented by interest-bearing bank borrowings and other interest-bearing borrowings divided by equity) amounted to approximately 16.2% (31 December 2021: 14.6%).

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 2022. The capital of the Company comprises only ordinary shares.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group provides guarantees amounting to HK\$5,313,000 (31 December 2021: HK\$4,136,000) to secure service performance bonds issued by a bank on behalf of a subsidiary's performance obligation on certain projects.

COMMITMENTS

As at 30 June 2022 and 31 December 2021, the Group had a capital commitment in respect of its investments in a joint venture of HK\$10,000,000 which has been contracted but not provided for in the condensed consolidated financial information.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed around 1,250 (30 June 2021: around 1,450) full-time 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 Mainland China, 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. During the six months ended 30 June 2022, the exchange rate of Renminbi fluctuates violently. The Group currently has no hedging arrangements for foreign currencies, but will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging arrangements when needed.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2022, 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 2022, 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
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	17,000,000 ^(Note 1)	5.89%
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 ^(Note 2)	0.10%
	The Company	Beneficial interest	12,600,000 ^(Note 1)	4.37%
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	9,600,000 ^(Note 1)	3.33%
	The Company	Interest of spouse	200,000 ^(Note 3)	0.06%
	The Company	Interest of spouse	1,200,000 ^(Note 1)	0.41%
Ma Kwai Lam Lambert	The Company	Beneficial interest	250,000	0.08%
	The Company	Beneficial interest	4,000,000 ^(Note 1)	1.38%

- 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 2022, 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 2022, 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 (<i>Note 1</i>)	79,473,780	27.57%
Beijing General Municipal Engineering Design & Research Institute Co., Ltd. (“BMEDI”)	Interested in a controlled corporation (<i>Note 1</i>)	79,473,780	27.57%
Beijing Design Group Company Limited	Beneficial owner (<i>Note 1</i>)	79,473,780	27.57%
Rainbow Path International Limited	Beneficial owner (<i>Note 2</i>)	62,198,000	21.57%
Veteran Ventures Limited	Beneficial owner (<i>Note 2</i>)	7,200,000	2.49%
Vivid Colour Limited	Beneficial owner (<i>Note 3</i>)	25,662,000	8.90%
Jun Ming Investments Limited	Beneficial owner (<i>Note 4</i>)	12,940,000	4.48%
Liang Sharon	Interest of spouse (<i>Note 5</i>)	92,670,000	32.14%
Chung Wai Chi, Connie	Interest of spouse (<i>Note 6</i>)	46,986,000	16.29%
	Beneficial owner	298,000	0.10%
Li Min	Interest of spouse (<i>Note 7</i>)	23,990,000	8.32%
	Beneficial owner (<i>Note 8</i>)	1,400,000	0.48%

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 92,670,000 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 46,986,000 shares held by Mr. Fu under the SFO.
7. Ms. Li Min, being spouse of Mr. Wang Jun You, is deemed to be interested in the 23,990,000 shares held by Mr. Wang under the SFO.
8. It represents the interest in 200,000 shares and the interest in 1,200,000 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 2021 annual report. The movement during the six months ended 30 June 2022 and the options outstanding as at 30 June 2022 were as follows:

Share Option Scheme

Category of grantees	Date of grant	Exercise Price per share	As at 1 January 2022	Granted during the period	Exercised during the period	Cancelled during the period	As at 30 June 2022	Exercise period
Executive Directors								
– 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)
	23/12/2020	HK\$0.88	5,000,000	–	–	–	5,000,000	(Note 4)
– 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)
	23/12/2020	HK\$0.88	3,500,000	–	–	–	3,500,000	(Note 4)
– Wang Jun You	28/9/2017	HK\$2.49	1,800,000	–	–	–	1,800,000	(Note 5)
	1/11/2018	HK\$2.334	2,200,000	–	–	–	2,200,000	(Note 6)
	28/11/2019	HK\$1.55	2,800,000	–	–	–	2,800,000	(Note 3)
	23/12/2020	HK\$0.88	2,800,000	–	–	–	2,800,000	(Note 4)
– Ma Kwai Lam Lambert	28/9/2017	HK\$2.49	1,000,000	–	–	–	1,000,000	(Note 5)
	1/11/2018	HK\$2.334	1,000,000	–	–	–	1,000,000	(Note 6)
	28/11/2019	HK\$1.55	1,000,000	–	–	–	1,000,000	(Note 3)
	23/12/2020	HK\$0.88	1,000,000	–	–	–	1,000,000	(Note 4)
Senior management and other employees	28/9/2017	HK\$2.49	10,140,000	–	–	–	10,140,000	(Note 5)
	1/11/2018	HK\$2.334	4,100,000	–	–	–	4,100,000	(Note 6)
	28/11/2019	HK\$1.55	4,100,000	–	–	–	4,100,000	(Note 3)
	23/12/2020	HK\$0.88	3,500,000	–	–	–	3,500,000	(Note 4)
			<u>65,040,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>65,040,000</u>	

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 23 December 2023 to 22 December 2025 (both dates inclusive).

Note 5: The share options can be exercised from 28 September 2020 to 27 September 2022 (both dates inclusive).

Note 6: The share options can be exercised from 1 November 2021 to 31 October 2023 (both date inclusive).

As at the date of this announcement, 64,740,000 shares are issuable for options granted under the Share Option Scheme representing approximately 22.46% of the total number of issued shares at that date. And as at the report date, the total number of shares available for issue under the Share Option Scheme will be 85,740,000 Shares representing approximately 29.74% of the number of shares in issue as at that date.

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

During the six months ended 30 June 2022, 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 2022 or at any time during the six months ended 30 June 2022.

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 2022, 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 2022.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, subsequent to the date of the 2021 annual report, changes in the information of the Directors as notified to the Company are set out below:

– Mr. Lo Wai Hung, independent non-executive director of the Company, resigned as an independent non-executive director of Shandong Weigao Group Medical Polymer Company Limited (stock code: 1066) with effect from 6 June 2022.

– Mr. Liu Gui Sheng resigned as the executive Director of the Company and the co-chairman of the Board and the chairman of the Investment Committee with effect from 16 June 2022. The positions of the executive Director, the co-chairman of the Board and the chairman of the Investment Committee were taken up by Mr. Liu Jiang Tao on the same date.

Save as disclosed above, as at the date of this announcement, there is no other information which was required to be disclosed by the Directors pursuant to Rule 13.15(B)(1) of the Listing Rules.

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 2022.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (2021: nil).

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 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 2022 interim results announcement of the Company is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cchengholdings.com. The 2022 interim report of the Company will be despatched to shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 30 August 2022

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