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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 2023

BUSINESS HIGHLIGHTS

- Total new signed and supplementary contracts secured by the Group during the period totaled HK\$259,169,000 (six months ended 30 June 2022: HK\$441,242,000), representing a decrease of HK\$182,073,000 or 41.3%; and
- Remaining contract sums totaled HK\$1,496,781,000 (six months ended 30 June 2022: HK\$1,848,617,000), representing a decrease of HK\$351,836,000 or 19.0%.

FINANCIAL HIGHLIGHTS

- Revenue of the Group was HK\$300,174,000 (six months ended 30 June 2022: HK\$340,202,000), representing a decrease of 11.8% from the corresponding period of previous financial year;
- Loss for the period was HK\$10,933,000 (six months ended 30 June 2022: Loss of HK\$9,931,000);
- Basic loss per share was HK4.90 cents (six months ended 30 June 2022: basic loss per share of HK4.02 cents);
- Diluted loss per share was HK4.90 cents (six months ended 30 June 2022: diluted loss per share of HK4.02 cents); and
- No interim dividend was declared.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (“**Board**”) of directors (the “**Directors**”) of C Cheng Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023, together with the comparative unaudited figures for the corresponding period in 2022 as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	300,174	340,202
Cost of sales		(252,444)	(288,496)
Gross profits		47,730	51,706
Other income and losses, net		2,996	8,144
Gain/(loss) on fair value changes of financial assets at fair value through profit or loss		520	(1,681)
Impairment losses on financial and contract assets, net		(2,200)	(4,055)
Administrative expenses		(56,615)	(63,478)
Share of loss of a joint venture		(8)	(47)
Share of loss of an associate		(38)	(89)
Finance costs		(3,319)	(2,291)
Loss before tax	4	(10,934)	(11,791)
Income tax credit	5	1	1,860
Loss for the period		(10,933)	(9,931)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(7,291)	(8,915)
Other comprehensive loss for the period		(7,291)	(8,915)
Total comprehensive loss for the period		(18,224)	(18,846)
(Loss)/profit for the period attributable to:			
Owners of the Company		(14,132)	(11,596)
Non-controlling interests		3,199	1,665
		(10,933)	(9,931)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(21,042)	(20,454)
Non-controlling interests		2,818	1,608
		(18,224)	(18,846)
Loss per share (expressed in HK cents)	6		
– Basic		(4.90)	(4.02)
– Diluted		(4.90)	(4.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	50,208	72,771
Goodwill		15,095	15,287
Intangible assets		8,632	10,230
Investment in a joint venture		3,814	3,822
Investment in an associate		121	164
Prepayments and deposits		10,461	11,260
Deferred tax assets		10,883	8,364
Total non-current assets		99,214	121,898
Current assets			
Trade receivables	9	214,097	213,851
Contract assets	10	291,777	268,121
Financial assets at fair value through profit or loss	11	10,090	11,974
Prepayments, deposits, other receivables and other assets		58,904	57,490
Cash and bank balances		116,922	160,869
Total current assets		691,790	712,305
Current liabilities			
Trade payables	12	22,438	15,772
Other payables and accruals		44,368	42,178
Contract liabilities		105,765	116,601
Interest-bearing bank borrowings	13	76,288	79,910
Other interest-bearing borrowings	13	1,826	3,995
Lease liabilities		22,058	27,805
Tax payable		1,970	4,163
Total current liabilities		274,713	290,424
Net current assets		417,077	421,881
Total assets less current liabilities		516,291	543,779
Non-current liabilities			
Other interest-bearing borrowings	13	1,576	2,054
Provision		2,160	2,160
Lease liabilities		18,314	33,503
Deferred tax liabilities		177	440
Total non-current liabilities		22,227	38,157
Net assets		494,064	505,622
Equity			
Issued capital	14	2,883	2,883
Reserves		415,386	435,299
Equity attributable to owners of the Company		418,269	438,182
Non-controlling interests		75,795	67,440
Total equity		494,064	505,622

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Issued capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Statutory reserve in Mainland China (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	Non-controlling interests (unaudited) HK\$'000	Total (unaudited) HK\$'000
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)/profit 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
At 1 January 2023	2,883	283,501*	10,593*	28,845*	(47,768)*	(8,354)*	168,482*	438,182	67,440	505,622
(Loss)/profit for the period	-	-	-	-	-	-	(14,132)	(14,132)	3,199	(10,933)
Other comprehensive loss for the period:										
Exchange differences related to foreign operations	-	-	-	-	-	(6,910)	-	(6,910)	(381)	(7,291)
Total comprehensive loss for the period	-	-	-	-	-	(6,910)	(14,132)	(21,042)	2,818	(18,224)
Equity-settled share-option arrangements	-	-	-	1,129	-	-	-	1,129	-	1,129
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	5,537	5,537
At 30 June 2023	2,883	283,501*	10,593*	29,974*	(47,768)*	(15,264)*	154,350*	418,269	75,795	494,064

* These reserve accounts comprise the consolidated reserves at HK\$415,386,000 (31 December 2022: HK\$435,299,000) in the condensed consolidated statement of financial position.

Notes:

- (a) The statutory reserve in Mainland China 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 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Operating cash flows before movements in working capital	13,168	21,209
Increase in contract assets	(24,214)	(26,537)
Increase in trade receivables	(1,807)	(5,158)
Increase in prepayments, deposits, other receivables and other assets	(1,065)	(2,523)
Increase/(decrease) in other payables and accruals	1,341	(39,530)
(Decrease)/increase in contract liabilities	(11,342)	10,104
Movement in other working capital	1,770	7,010
Income taxes paid	(5,069)	(415)
Net cash used in operating activities	(27,218)	(35,840)
Investing activities		
Purchases of property, plant and equipment	(869)	(7,552)
Purchases of financial assets at fair value through profit or loss	(5,319)	(5,244)
Proceeds from disposal of financial assets at fair value through profit or loss	7,725	6,558
Capital contribution from non-controlling interest	5,537	1,991
Net cash flow on disposal of a subsidiary	(150)	(1,153)
Other investing cash flows	1,306	(309)
Net cash from/(used in) investing activities	8,230	(5,709)
Financing activities		
New bank borrowings	10,000	42,000
Repayment of bank borrowings	(13,622)	(34,530)
Principal portion of lease payments	(13,158)	(18,458)
Other financing cash flows	(2,647)	(1,541)
Net cash used in financing activities	(19,427)	(12,529)
Net decrease in cash and cash equivalents	(38,415)	(54,078)
Cash and cash equivalents at beginning of the period	160,869	198,128
Effect of foreign exchange rate changes	(5,532)	(632)
Cash and cash equivalents at end of the period, represented by bank balances and cash	116,922	143,418

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 2023 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 2022.

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 2022.

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) that are first effective for the current accounting period of the Group. These development 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 loss before tax. The adjusted 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, 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 2023 (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	–	10,116	10,116
Services transferred over time	234,974	55,084	290,058
Revenue from contracts with customers	<u>234,974</u>	<u>65,200</u>	<u>300,174</u>
<i>Type of goods or services</i>			
Architecture services	216,223	–	216,223
Landscape architecture, town planning, interior design and heritage conservation services	18,751	–	18,751
BIM services	–	55,084	55,084
Sale of IT products	–	10,116	10,116
Revenue from contracts with customers	<u>234,974</u>	<u>65,200</u>	<u>300,174</u>
Intersegment revenue	–	3,968	3,968
Segment revenue	234,974	69,168	304,142
Reconciliation:			
Elimination of intersegment revenue			<u>(3,968)</u>
External revenue			<u>300,174</u>
Segment results	<u>(14,431)</u>	<u>5,112</u>	<u>(9,319)</u>
Reconciliation			
Unallocated other income			251
Share of loss of a joint venture			(8)
Share of loss of an associate			(38)
Gain on fair value changes of financial assets at fair value through profit or loss			520
Share option expenses recognised			(11)
Other unallocated corporate expenses			<u>(2,329)</u>
Loss before tax			<u>(10,934)</u>

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
	<u>274,482</u>	<u>55,118</u>	<u>329,600</u>
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
	<u>274,482</u>	<u>65,720</u>	<u>340,202</u>
Revenue from contracts with customers	<u>274,482</u>	<u>65,720</u>	<u>340,202</u>
Intersegment revenue	–	1,472	1,472
	<u>–</u>	<u>1,472</u>	<u>1,472</u>
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>

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 financial instruments, deferred tax assets and investment in a joint venture and investment in an associate.

Geographical markets	Revenue from external customers		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Mainland China	133,660	188,203	32,109	37,249
Hong Kong	137,426	135,654	43,486	62,018
Macau	5,409	–	–	–
Others	23,679	16,345	1,610	1,798
	300,174	340,202	77,205	101,065

4. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of sale of IT products	6,852	8,905
Cost of services rendered	245,592	279,591
Depreciation of property, plant and equipment	16,793	23,219
Amortisation of intangible assets ¹	1,323	928
Loss on disposal of property, plant and equipment	103	22
Gain on lease modification, net	617	–
(Gain)/loss on fair value changes of financial assets at fair value through profit or loss	(520)	1,681
Government subsidy ²	(1,832)	(8,007)
Staff costs including directors' and chief executives' remunerations		
– Salaries, allowances, and other benefits	200,970	232,394
– Contributions to retirement benefit schemes	9,977	11,394
– Equity-settled share-based payments recognised ³	1,129	3,413
	<u>212,076</u>	<u>247,201</u>
Impairment losses recognised on		
– Trade receivables	1,540	2,032
– Contract assets	660	2,023
	<u>2,200</u>	<u>4,055</u>

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.

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The income tax expense/(credit) comprises:		
Current tax:		
Hong Kong Profits Tax	2,250	310
PRC Enterprise Income Tax (“CIT”)	<u>591</u>	<u>887</u>
	<u>2,841</u>	<u>1,197</u>
Deferred tax	<u>(2,842)</u>	<u>(3,057)</u>
	<u>(1)</u>	<u>(1,860)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for two subsidiaries of the Group which are qualifying entities 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 2022: HK\$2,000,000) of assessable profits of these subsidiaries are taxed at 8.25% (six months ended 30 June 2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2022: 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.

CIT in Mainland China has been provided at the rate of 25% (six months ended 30 June 2022: 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 2022: 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 2022: RMB1,000,000) taxable income shall be included in its taxable income at the reduced rate of 25% (six months ended 30 June 2022: 25%), with the applicable enterprise income tax rate of 20% (six months ended 30 June 2022: 20%), and the annual taxable income not less than RMB1,000,000 (six months ended 30 June 2022: RMB1,000,000) nor more than RMB3,000,000 (six months ended 30 June 2022: RMB3,000,000) shall be included in its taxable income at the reduced rate at 50% (six months ended 30 June 2022: 50%), with the applicable enterprise income tax rate at 20% (six months ended 30 June 2022: 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	
	2023	2022
	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>(14,132)</u>	<u>(11,596)</u>
	Number of Shares	
	2023	2022
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>–</u>
	<u>288,260,780</u>	<u>288,260,780</u>

The computation of diluted loss per share for the six months ended 30 June 2023 and 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 2023 and 30 June 2022.

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

During the six months ended 30 June 2023, the Group acquired equipment and leasehold improvement of approximately HK\$869,000 (six months ended 30 June 2022: HK\$7,552,000). Assets with a net book value of HK\$103,000 (six months ended 30 June 2022: HK\$22,000) 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\$103,000 (six months ended 30 June 2022: HK\$ 22,000) for that period.

During the six months ended 30 June 2023, the Group entered into new lease agreements for the use of office premises with term of 2 years. The Group is required to make fixed monthly payments. On the lease commencement, the Group recognised the right-of-use assets of HK\$1,501,000 (six months ended 30 June 2022: HK\$2,837,000) and lease liabilities of HK\$1,501,000 (six months ended 30 June 2022:

HK\$2,837,000), respectively. During the six months ended 30 June 2023, the Group has entered into agreement to modify certain leases of office premises, accordingly, the Group has derecognised right-of-use assets of HK\$7,606,000 and lease liabilities of HK\$8,223,000, 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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Unbilled receivables (<i>Note</i>)	55,499	64,131
Within 30 days	57,369	54,445
Over 30 days and within 90 days	36,063	21,753
Over 90 days and within 180 days	17,190	29,468
Over 180 days	47,976	44,054
	214,097	213,851

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

10. CONTRACT ASSETS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Comprehensive architectural services	240,366	211,694
BIM services	56,329	60,886
	296,695	272,580
Impairment	(4,918)	(4,459)
	291,777	268,121

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Listed equity investments, at fair value	<u>10,090</u>	<u>11,974</u>

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 periods:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 30 days	10,214	5,324
Over 30 days and within 90 days	4,595	4,869
Over 90 days	<u>7,629</u>	<u>5,579</u>
	<u>22,438</u>	<u>15,772</u>

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

For the six months ended 30 June 2023, the Group drew down new bank borrowings amounting to HK\$10,000,000 which are revolved in monthly basis, carry interest at a premium over HIBOR. The Group also repaid bank borrowings amounting to HK\$13,622,000 during the six months ended 30 June 2023.

For the six months ended 30 June 2023, the other interest-bearing borrowings were unsecured, bear interest at rates ranging from 3.00% to 4.70% (31 December 2022: 3.00% to 4.70%) and repayable within one to four years (31 December 2022: one to five years). As at 30 June 2023, the balance was denominated in HK\$ (31 December 2022: HK\$).

14. ISSUED CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>1,000,000,000</u>	<u>10,000</u>
Issued and paid up		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>288,260,780</u>	<u>2,883</u>

15. COMMITMENTS

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

As at 30 June 2023 and 31 December 2022, 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 2023, the Group provides guarantees amounting to HK\$4,945,000 (31 December 2022: HK\$6,551,000) 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 2023, the Group recognised revenue of HK\$886,000 (six months ended 30 June 2022: HK\$1,614,000) 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 2023, the Group had trade receivables due from BMEDI and its subsidiaries amounting to HK\$996,000 (31 December 2022: HK\$840,000). 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, no right-of-use assets nor lease liabilities 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 and interest expense on the lease liabilities of HK\$10,000 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.

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, commission and other benefits	17,782	15,961
Contributions to retirement benefits	194	133
Equity settled share-based payments recognised	942	2,829
	<u>18,918</u>	<u>18,923</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 2023	31 December 2022			
	HK\$'000	HK\$'000			
	(Unaudited)	(Audited)			
Financial assets at fair value through profit or loss – listed equity investments	<u>10,090</u>	<u>11,974</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 2023 was assessed to be insignificant.

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

During the six months ended 30 June 2023 and 2022, 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.

20. EVENTS AFTER THE REPORTING PERIOD

On 3 August 2023, the Company, isBIM Limited (an indirect non-wholly owned subsidiary of the Company, hereinafter referred to as “isBIM”), Mr. Li Kwong (a director and the chief executive officer of isBIM and is holding approximately 33.6% of the issued share capital of isBIM), Future M Company Limited (“Investor 1”), AEF Greater Bay Area LPF (“Investor 2”) and each of the subsidiaries of isBIM entered into the share subscription agreement, pursuant to which, among others, isBIM conditionally agreed to allot and issue, and each of the Investor 1 and Investor 2 conditionally agreed to subscribe for 4,123 and 2,062 Series A-1 preferred shares at the subscription price of approximately HK\$31.2 million and HK\$15.6 million, respectively.

Immediately after completion, on an as-converted basis, the percentage of the Company’s shareholding interest in isBIM will be reduced from approximately 44.9% to approximately 35.0%, and the Company will cease to control the board of isBIM. Therefore, isBIM will cease to be a subsidiary of the Company and become an associated company of the Company.

The subscription will be accounted for as a deemed disposal transaction. Accordingly, the financial results and financial position of isBIM will cease to be consolidated in the financial statements of the Company after completion of the subscription. All assets and liabilities of isBIM, including goodwill and intangible assets attributable to isBIM recognised, will be derecognised. The interest in isBIM held by the Company as associated companies will be recognised as an asset according to its fair value initially and measured by using equity method subsequently. The estimated gain on such deemed disposal transaction will be approximately HK\$15.0 million, subject to the finalised fair value and net assets value of isBIM as at the completion date and transaction expenses. The estimated gain is mainly derived from the difference between the fair value of the associated company recognised by the Company and net assets of isBIM derecognised upon completion, adjusted by the cumulative other comprehensive income of isBIM that are eligible to be reclassified to profit or loss and the transaction expenses directly attributable to the transaction. The actual amount of gain or loss as a result of the Subscription to be recorded by the Company will be subject to review by the auditor of the Company.

The subscription is conditional upon fulfilment of certain conditions including, but not limited to, the approval by the shareholders of the Company. For details of the transaction, please refer to the announcement of the Company dated 3 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first half of 2023 is a challenging year for the Group. There has been a period of significant upheaval for the property market in Mainland China. The economic concerns have been mounting, with property investment in Mainland China experienced a deepening decline. Sales of new homes have also been plunging, major property developers in Mainland China reporting a net loss for the period. The second half of the year will be crucial in determining whether these trends continue or if the property market can rebound from its current downturn. The government interventions will play a pivotal role in shaping the property market trend in Mainland China of the remaining half of 2023.

On the other hand, there also a period of uncertainty for the Hong Kong property market in Hong Kong. The economic climate was characterised by high interest rates and residential property price index saw a sharp decline during the period. Investment sentiment remains cautious during the period. Despite these challenges, interest rate is expected to be stabilised and begins with a downward trend, there are signs of potential recovery on the property market in Hong Kong, pointing towards a possible rebound in the second half of 2023.

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 2023 of this sector contributed HK\$234,974,000 representing a decrease of 14.4%. We secured 79 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$196,152,000 as compared with HK\$363,748,000 in corresponding period of 2022, representing a decrease of 46.1%. There has been a serve decline in PRC new contact value, with HK\$215,433,000 in first half of 2022, dropped to HK\$111,830,000 in the same period of 2023, representing a decrease of 48.1%, with the decreased new contract sum secured during the period, the Group's remaining contract sums has decreased from HK\$1,643,408,000 as at 30 June 2022 to HK\$1,310,768,000 at same date of 2023. As our main stream of practice, our traditional sector in architecture contributed approximately 92.0% 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 2023, the segment revenue of BIM sector amounted to HK\$69,168,000 when compared to HK\$67,192,000 in corresponding period of 2022, represented an increase of 2.9%. BIM sector successfully secured 103 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK\$63,016,000, representing a decrease of 18.7% when compared to HK\$77,494,000 in corresponding period of 2022. Remaining contract sum as at 30 June 2023 was approximately HK\$186,012,000, decreased by 9.4% as compared with HK\$205,209,000 at same date of last year.

FINANCIAL OVERVIEW

Revenue

During the six months period ended 30 June 2023, the revenue of the Group was HK\$300,174,000, compared with that of HK\$340,202,000 in corresponding period of 2022, representing a decrease of 11.8%. Decrease in the current period was mainly due to the severe decline in revenue in Mainland China, which decreased from HK\$188,203,000 to HK\$133,660,000 when comparing with the corresponding period of 2022.

Cost of services

Cost of services for the six months period ended 30 June 2023 amounted to HK\$252,444,000, when compared with that of HK\$288,496,000 in same period of 2022, representing a decrease of 12.5%. Decrease in current period was mainly represented by the cost reduction of the operation of the Group in Mainland China since second half of 2022. During the six months period ended 30 June 2023, the Group had further 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 2023 amounted to HK\$47,730,000, decreased by 7.7% when compared with the corresponding period of 2022. Gross profit margin of the Group increased from 15.2% to 15.9%. The increase in gross profit margin during the period was due to the improve in efficiency, in conjunction with the cost reduction of the PRC architecture operation, the number of headcount of the Group's PRC architecture professional team has reduced from 661 in January 2022 to 515 in December 2022, and further reduced to 408 in June 2023.

Administrative expenses

Administrative expenses for the six months period ended 30 June 2023 amounted to HK\$56,615,000, comparing with the corresponding period in 2022 of HK\$63,478,000, representing a decrease of 10.8%. 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 2023 was HK\$10,933,000, compared with the corresponding period in 2022 of loss of HK\$9,931,000.

OUTLOOK

The reopening of economic, trade, and cultural exchanges between Hong Kong and the world presents us with abundant market possibilities ahead. The Group will continue embracing opportunities to enhance our role in facilitating the green, smart development of the architecture industry in our key markets across China, Southeast Asia and the Middle East and North Africa.

In the second quarter of 2023, Guangdong Province of the Government published a set of policies to facilitate high-quality development. As we extend our market in the Guangdong-Hong Kong-Macao Greater Bay Area, we will progress in leading the digital-build and green development, enrich our portfolio, and stimulate further business growth in Mainland China. We expect to leverage our expertise to create more sustainable benefits for our stakeholders and strengthen business operations and industry influence to provide customised services for our clients.

Deepening digital transformation will continue to be our priority as we strive toward modernised working modes in the pursuit of a greener world. We reaffirm our ambition to pioneer in developing advanced projects to realise smart construction while showing unwavering commitment to excellence of the Company.

Carbon neutrality will play an essential role while we embed the resilience standard in buildings and boost the living experience of people by providing a sustainable built environment. Our professionals will continue researching on eco-friendly building materials and modes and solidifying our strategic ties with academic institutions including Shenzhen University for knowledge exchanges and academia-industry collaborations.

The introduction of the new investors as shareholders of isBIM will diversify its shareholders base and enhance its corporate profile and reputation, thereby increasing its ability to attract future investors and strategic partners, which is beneficial to the long-term growth and development of isBIM Group. There may be opportunities in the future to realise some of the interest in isBIM of the Group and the Group will continue to implement prudent and flexible financial policies to bring long-term returns to our Shareholders, while remaining cautious in a rapidly changing environment overall the world.

Overall, the Group will be steadfast to accelerate the sustainable transformation globally through our design and to invest in future-oriented projects despite the challenging market. The Group remains optimistic to realise our next phase of growth amid uncertainties.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 June 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Current assets	691,790	712,305
Current liabilities	274,713	290,424
Current ratio	2.52	2.45

The current ratio of the Group at 30 June 2023 was 2.52 times as compared to that of 2.45 times at 31 December 2022. It was mainly resulted from the increase in contract assets on hand, due to the increase in project turnover day during the period.

At 30 June 2023, the Group had total bank balances and cash of HK\$116,922,000 (31 December 2022: HK\$160,869,000). The unutilised general banking facilities was approximately HK\$86,000,000 as at 30 June 2023 (31 December 2022: HK\$88,000,000).

At 30 June 2023, the gearing ratio of the Group (represented by interest-bearing bank borrowings and other interest-bearing borrowings divided by equity) amounted to approximately 16.1% (31 December 2022: 17.0%).

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 2023. The capital of the Company comprises only ordinary shares.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group provides guarantees amounting to HK\$4,945,000 (31 December 2022: HK\$6,551,000) 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 2023 and 31 December 2022, 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 2023, the Group employed around 1,000 (30 June 2022: around 1,250) full-time employees.

Employees are remunerated according to the 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 2023, 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 2023, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

For details of the share subscription agreement entered into between the Company, isBIM, Mr. Li Kwong, Investor 1, Investor 2, and each of the subsidiaries of isBIM on 3 August 2023, which will be accounted for as a deemed disposal transaction, please refer to note 20 of the financial statements and the announcement of the Company date 3 August 2023.

DIRECTORS' AND CHIEF EXECUTIVES INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, 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	7,800,000 ^(Note 1)	2.70%
	The Company	Interest of spouse	1,100,000 ^(Note 3)	0.38%
Ma Kwai Lam Lambert	The Company	Beneficial interest	250,000	0.08%
	The Company	Beneficial interest	3,000,000 ^(Note 1)	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 and 900,000 underlying shares upon exercise of the share options granted to Ms. Li under the Share Option Scheme under the SFO.

(2) Short positions

Save as disclosed above, as at 30 June 2023, 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 2023, 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>)	22,190,000	7.69%
	Beneficial owner (<i>Note 8</i>)	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 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 22,190,000 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 2022 annual report. The movement during the six months ended 30 June 2023 and the options outstanding as at 30 June 2023 were as follows:

Share Option Scheme

Category of grantees	Date of grant	Exercise Price per share	As at 1 January 2023	Granted during the period	Exercised during the period	Cancelled during the period	As at 30 June 2023	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	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	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	200,000	–	–	–	200,000	(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>52,300,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>52,300,000</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). The 200,000 share options represent the share options granted to an employee who passed away, where his/her legal personal representative(s) (if any) shall be entitled to and may within a period of twelve months from the date of death of the employee (or such longer period as the Board may determine) exercise such options in whole or in part, subject to the terms and conditions under the Share Option Scheme.

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, 52,300,000 shares are issuable for options granted under the Share Option Scheme representing approximately 18.14% 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 73,300,000 Shares representing approximately 25.43% 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 2023, 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 2023 or at any time during the six months ended 30 June 2023.

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 2023, 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 2023.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, subsequent to the date of the 2022 annual report, changes in the information of the Directors as notified to the Company are set out below:

– Mr. Lo Wai Hung resigned as an independent non-executive Director of the Company, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee with effect from 3 April 2023. The positions of an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee were taken up by Mr. Wong Hin Wing on the same date.

– Mr. Yu Chi Hang resigned as an independent non-executive Director of the Company, the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee with effect from 3 April 2023. The positions of an independent non-executive Director of the Company, the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee were taken up by Mr. Chan James 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 2023.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (2022: nil).

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive Directors, namely Mr. Wong Hin Wing, Mr. Chan James 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 2023.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 2023 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 2023 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 and Executive Director

Hong Kong, 25 August 2023

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. Wong Hin Wing, Mr. Chan James and Ms. Su Ling.