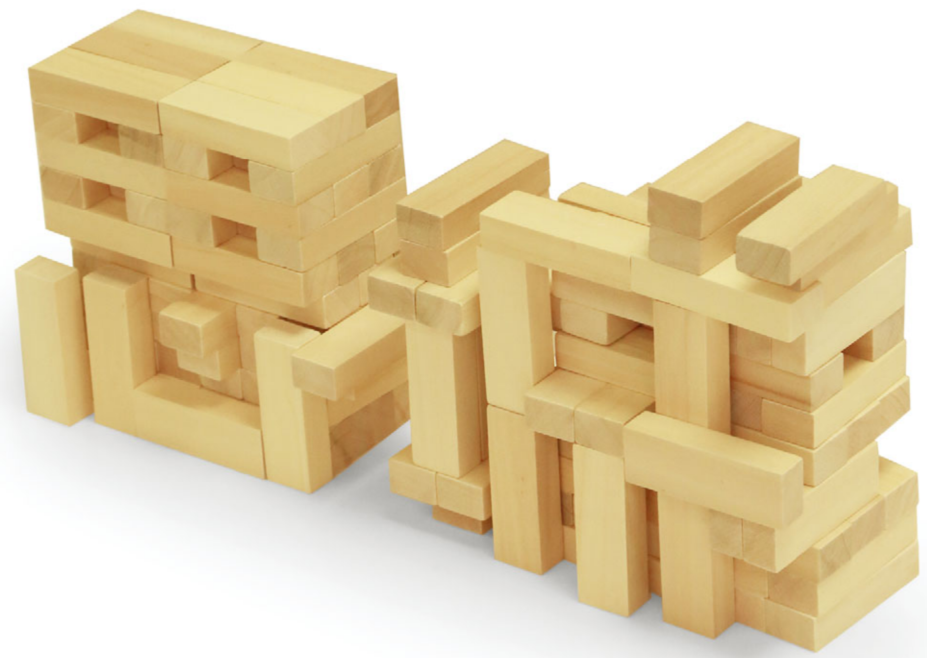
思 城 控 股 有 限 公 司

C CHENG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1486



2016

ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Liang Ronald (Chairman)
Mr. Fu Chin Shing (Chief Executive Officer)
Mr. Wang Jun You
Mr. Lo Kin Nang
Mr. Ng Kwok Fai
Mr. He Xiao

Independent Non-Executive Directors
Mr. Lo Wai Hung
Mr. Wang Julius
Mr. Yu Chi Hang

AUDIT COMMITTEE

Mr. Lo Wai Hung (Chairman)
Mr. Wang Julius
Mr. Yu Chi Hang

REMUNERATION COMMITTEE

Mr. Yu Chi Hang (Chairman)
Mr. Fu Chin Shing
Mr. Lo Wai Hung

NOMINATION COMMITTEE

Mr. Liang Ronald (Chairman)
Mr. Wang Julius
Mr. Yu Chi Hang

AUTHORISED REPRESENTATIVES

Mr. Fu Chin Shing
Ms. Yu Wing Sze

COMPLIANCE OFFICER

Mr. Fu Chin Shing

COMPANY SECRETARY

Ms. Yu Wing Sze

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15th Floor
North Tower World Finance Centre
Harbour City
Tsim Sha Tsui
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04
33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

HONG KONG LEGAL ADVISER

David Fong & Co., Solicitors
Unit A, 12/F, China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Hongkong and Shanghai and Banking Corporation Limited
HSBC Main Building
1 Queen's Road
Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank Building
4-4A Des Voeux Road
Central
Hong Kong

China Merchants Bank
Central Business Branch
1/F, Central Business Building
No. 88 Fuhua 1 Road
Shenzhen
PRC

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor One Pacific Place
88 Queensway
Admiralty
Hong Kong

STOCK CODE

1486

CORPORATE WEBSITE

www.cchengholdings.com

CHAIRMAN'S STATEMENT

"This year marks a new chapter and yet another milestone for our Group's history and development. Looking ahead, the Group will apply a dual strategy of "Expertise & Capital", to enhance our market competitiveness in our business areas."

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board "), I am pleased to present the annual report of C Cheng Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2016.

REVIEW

This year marks a new chapter and yet another milestone for our Group's history and development. In 2011, we acquired a design institute with Architectural Engineering Design Qualification of Architectural Industry – Grade A (建築行業(建築工程)甲級資質) in the People's Republic of China (the "PRC"). The significance of this acquisition for our Group was to afford us the opportunity to work throughout the PRC as if we are in Hong Kong as an Authorised Person. In December 2013, our Group was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In August 2015, the Company was successfully transferred to the Main Board of the Stock Exchange.

In December 2016, our Group entered into discussion on future cooperation with Beijing Design Group Company Limited ("BD Group"), a wholly-owned subsidiary of Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("BMEDI"). Established in 1955, BMEDI is a wholly-owned subsidiary of Beijing Enterprises Group Company Limited.

The strategic partner primarily involving in infrastructural works such as urban roadwork, highway systems, mass transit railway systems, bus rapid transit, integrated transportation hubs, fresh water and drainage systems, water recycling, solid waste disposal and treatment system, river restoration, urban underground space development and usage and sponge city. These will provide engineering capabilities presently not available in our Group. They also possess Engineering Design Integrated Qualification - Class A ("工程設計綜合甲級資質") in the PRC.

The year of 2016, was a challenging year in both Hong Kong and the PRC. Consolidation is still ongoing in the PRC, and we expect this trend continuing into 2017. However, with tremendous efforts from our Hong Kong and PRC directors, we are increasing our market share in the existing markets, but at the same time opening up new markets in South East Asia. This year as in previous years, we have won a number of awards in recognition of our effort in producing excellent designs. One of which, the Renovation of the Court of Final Appeal in Central of Hong Kong, won two international MIPIM awards with one being the overall Special Jury Award. As a group, we again won a total of 24 awards, 14 in Hong Kong and 10 in the PRC in 2016.

The award achievements again reflect the Group's commitment and determination to maintain, improve and build up its market share in regions of Asia. Our ability to maintain our share in the market under difficult operating environment is a reflection of the Group's vision and philosophy that the comprehensive disciplinary approach, is the most appropriate methodology in sustaining our medium to long-term penetration into diverse regional markets.

In 2016, with our comprehensive approach, we were able to further expand our offices in Guangzhou and Manila. We have also opened a satellite operation in Chongqing to serve our Clients in the western region of the PRC.

The Group is financially sound, having maintained a prudent philosophy of balancing its cash flow. Our cash level is at a record high, and our gearing ratio is close to zero. We are in a strong position of gaining abundant bank facilities. The year 2016 saw the Group maintaining a stable growth, as rightly pointed out in our previous report, the interior design sector experienced another year of expansion, we believe this sector will have further upside in the year of 2017 and beyond.

PROSPECTS

On 24 February 2017, the BD Group and the Company entered into the Subscription Agreement. The Group with its new potential investor and partner in BD Group will anticipate 2017 as an expansion year. With 14 branch offices throughout the PRC, our strategic partner will allow the Company to further make inroads into the market. The Board foresees that the Group and its partner, equipped with architectural design and engineering design capabilities, will create a synergy under one roof presently unavailable in the market.

WHITESANDS, Hong Kong

Nansha Jiaomenhe Mixed Use Concept Design, Guangzhou

The combined capabilities will double the availability of service sectors to both companies and increase our revenue streams unavailable before the Subscription. With a one-stop solution philosophy, the cooperation for our Group is a perfect complimentary integration of skills, whereby based upon an organic growth model is difficult to realise in the short and medium term.

The Group will apply a dual strategy of "Expertise & Capital", to enhance our market competitiveness in our business areas. The strong professional capability and solid capital support from our strategic partner will facilitate the Company's participation in the "One Belt, One Road" Initiatives of the PRC. The potential injection of funds from BD Group will also place the Group in an enviable position to seek out potential merger and acquisition target companies in the market. The Group envisions this to be the next step in strengthening of our present skills and sectors as well as creating new revenue streams.

ACKNOWLEDGEMENT

On behalf of all members of the Board, I would like to express our sincere gratitude to our fellow directors for their support and cordial thanks to our staff for their dedication and hard work. I will continue to work with other members of the Board to guide the Group and to ensure our growth and the sustainability of our business. Lastly the Board and I also wish to thank our shareholders and clients for their support, and will endeavour to bring long lasting returns to everyone involved.

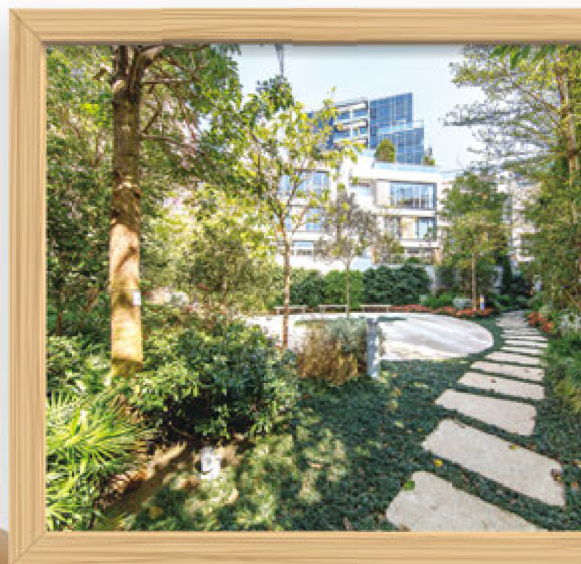
Mr. Liang Ronald
Chairman

Hong Kong, 31 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

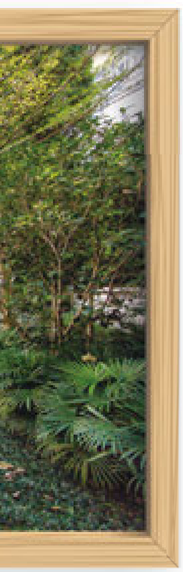
Town Planning

Landscape



Architecture

Heritage Conservation



Interior Design

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group's revenue increased by 1.2% when compared with that in 2015. It secured 91 new contracts (2015: 115) and the value of the new contracts and supplementary contracts totalled approximately HK$332,181,000 in Hong Kong and the PRC. As at 31 December 2016, the Group had remaining contract sums of approximately HK$909,151,000. Architecture, contributing 86.4% of the revenue, continued to be our mainstream practice.

Our traditional sector in Architecture has remained a stable revenue generator in our Group. In this sector, Commercial Design has shown outstanding market potential with its combined capability in design and implementation. We are also pleased to see that Interior Design has recorded a remarkable growth curve.

Riding on the strong momentum over in recent years, Interior Design team has sustained a 62.2% growth in revenue. It has fulfilled rising market demands urban renovation projects especially in offices and hospitality. The team has launched a new business line of artistic consultancy, with an aim to strengthen its brand presence, and to extend revenue stream for the Group.

Besides, Commercial Design Projects have drawn in a new stream of contracts under the year over review. Its expertise in delivering one-stop services from design to implementation, and years of experience in large-scale iconic projects in major cities of the PRC, have formed a unique competitive edge in the market. Its integrated project solutions including expertise on branding and entertainment experience have been the driving factors of enlarging its customer base.

The Group maintained its market position as one of the leading comprehensive architectural service providers in Hong Kong and the PRC. The Group has been exploring possible strategies to further extend its comprehensive architectural services, as well as to identify and acquire suitable investment or business projects related to urbanisation.

Landmark Riverside Park, Chongqing

Graceland International Hotel, Shanghai

Aoyuan Office Tower, Guangzhou

FINANCIAL OVERVIEW

Revenue

2016 was a challenging year for the Group due to the economic slowdown and the property market consolidation in the PRC. The Group enhanced its business model by embarking on strategic initiatives to explore new business opportunities and further diversified the business portfolios to minimise the impact. During the year, the Group's revenue was HK$358,944,000, when compared with that of HK$354,799,000 in 2015, representing an increase of 1.2%.

Cost of services

Cost of services for the year ended 31 December 2016 amounted to HK$257,418,000, when compared with that of HK$255,359,000 in 2015, representing an increase of 0.8%. Direct labour costs and overhead costs of the Group remain stable during the year.

Gross profit and gross profit margin

The gross profit for the year ended 31 December 2016 increased by 2.1%, amounted to HK$101,526,000, when compared with that of HK$99,440,000 in 2015.

The gross profit margin of the Group for the year ended 31 December 2016 was 28.3%, a slight increase when compared with 28.0% in the previous year.

Administrative expenses

Administrative expenses for the year ended 31 December 2016 amounted to HK$69,426,000 (2015: HK$63,032,000), representing an increase of 10.1%. The increase was attributable to the increase in staff costs in current year.

Profit for the year

The profit for the year ended 31 December 2016 was HK$20,266,000, as compared to HK$27,089,000 in the previous year, representing a decrease of 25.2%.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Current assets	**332,348**	316,197
Current liabilities	**172,064**	179,698
Current ratio	**1.93**	1.76

The current ratio of the Group at 31 December 2016 was 1.93 times as compared to that of 1.76 times at 31 December 2015. It was mainly resulted from monetisation of our projects work in progress and progress billings receivable into cash.

As at 31 December 2016, the Group had total bank balances and cash and pledged bank deposits of HK$83,104,000 (2015: HK$60,662,000). The unutilised banks' facility is HK$35,560,000 (2015: HK$17,940,000) as at 31 December 2016.

As at 31 December 2016, the Group's gearing ratio is close to zero, with record high bank balances and extra banks facilities on hand, the Group's financial position is strong and healthy.

The Group's borrowings have not been hedged by any interest rate financial instruments. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

OUTLOOK

2017 will open up a brand new development stage for our group. With the business foundations laid by our diversified architectural services, we are in full gear to implement our one-stop-shop positioning to the fullest. The new co-operation opportunity we have been engaged in since 2016 will greatly sharpen our competitive edge in resource integration, financial support and project capacities, as a multi-disciplinary consultancy.

Double Tree by Hilton, Shenzhen

Stars By The Harbour, Hong Kong

In Hong Kong market, the Group is optimistic in achieving an organic growth of new projects, since the Hong Kong government continues to take measures in keeping land supply sufficient for private housing. As for mainland China, consolidation stage in property is likely to continue. We expect to maintain a sustainable growth in architectural sectors nevertheless, given that the proportion of urban population will be up from 53.7% in 2013 to 60.0% by 2020, according to China's 13th Five-Year Plan.

The consumption upgrades and urban renewals in PRC will be strong stimulus to add projects in the pipeline. The Group foresees Interior Design and Retail Design as the main catalysts that stimulate expansion of our overall market share.

The Group will orient its focus to spearhead business expansion with our new investor and latest design innovations. We will co-operate closely with Beijing Design Group Company Limited ("BD Group"), a wholly-owned subsidiary of Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("BMEDI") on a strategic basis to increase the chance of successful bids on infrastructure projects. Established in 1955, BMEDI is a wholly-owned subsidiary of Beijing Enterprises Group Company Limited. BMEDI will be our strategic partner in boosting our project volume and overall capacity domestically as well as internationally. This cooperation will enable an enrichment and diversification of our customer base, more business development, and an increase in the exchange and cooperation with domestic and overseas professionals. Starting from 2017, the Group will take steps to integrate new technology throughout our design solutions, to exploit innovations and cost-effectiveness in a 3D design environment.

"Expertise & Capital" being our dual strategy, we will be actively spotting potential of mergers and acquisitions for vertical integrations. And we will be taking a responsive approach in tapping opportunities from the "One Belt, One Road" Initiatives as well as the urbanisation development in the Asian region and beyond.

La Mansion, Hong Kong

FINAL DIVIDENDS

The Directors have resolved to recommend a final dividend of HK3.0 cents per share for the year ended 31 December 2016 (2015: HK2.0 cents per share), subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM").

Information regarding the date of the AGM, the record date for the entitlement to the final dividend, and attendance of the AGM and date of closure of share register will be announced in due course.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the business and some are from the industry. Major risks are summarised below.

Risks Relating to the Industry

Our business is subject to a number of licences, permits and qualifications
Our Group and our staff must hold the relevant licences and permits to operate our business. Non-compliance with the relevant regulatory requirements may result in refusal by relevant authorities to renew the relevant licenses and permits which would interrupt our business and have a material adverse effect on our operations or financial positions.

Homantin Hillside, Hong Kong

We face intense competition

There are numerous architectural service companies duly registered in the Hong Kong Institute of Architects and in the PRC. The market is highly competitive with the presence of both local and international service providers. As such, we have to compete with other service providers in terms of price and delivery on an international level. The rapid expansion of architectural service providers will intensify competition in the market which may induce price competition, especially under existing economic environment.

Risks Relating to the Business

We rely heavily on our professional staff

Our Group relies heavily on our professional staff, including our Hong Kong registered architects, PRC registered architects, authorised persons, registered town planners and registered landscape architects to render comprehensive architectural service to our clients. The loss of service of these professional staff and failure to find suitable replacements could adversely and significantly affect our operations and financial positions.

Negative publicity or damage to our business reputation may have potential adverse impact on our business

As a professional service provider, our Group's ability to secure new projects depends heavily upon our reputation and the reputation of our team as we generally obtain our business by invited tendering. Negative publicity associated with our Group or our team could result in the loss or clients or lead to increasing difficulty to be awarded new projects in the tendering process.

Paradise Walk, Chengdu

Our Group is subject to potential exposure to professional liabilities

Our Group is principally engaged in the provision of comprehensive architectural service to our clients. In the event that our client who may suffer a loss due to the negligence of our Group in providing such service, it may request for compensation from our Group. In spite of the quality control measures adopted by the Group, there is no assurance that these measures can completely eliminate the professional negligence or any event of professional negligence, misconduct or fraudulent act. Our Group is covered by professional indemnity insurance. We however may experience an adverse impact on our Group's financial position in the event that the claim from our clients exceeds the coverage or the scope of the insurance does not cover such claims.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2016. The capital of the Group only comprises of ordinary shares.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. As at 31 December 2016, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENT

During the year under review, the Group did not have any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2016, the Group had no future plan for material investments and capital assets.

Lai Mansion, Hong Kong

Ip Ancestral Hall, Hong Kong

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2016, expect for the disposal of 梁黃顧設計顧問(深圳)有限公司 ("LWK Consultancy") which the Group recorded loss of HK$867,000, there was no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group.

PLEDGE OF ASSETS

As at 31 December 2015, the Group has pledged short-term bank deposits with an aggregate carrying amount of HK$2,546,000 to banks to secure general banking facilities granted to the Group, such pledged deposits has been released during the year ended 31 December 2016.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2016 (2015: Nil).

COMMITMENTS

The contractual commitments of the Group are primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK$47,361,000 (2015: HK$26,485,000) as at 31 December 2016.

As at 31 December 2016, the Group did not have any significant capital commitments (2015: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group employed around 585 (2015: around 550) employees.

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

The Group offers competitive remuneration and benefit package to our employees. Our employee benefits include mandatory provident fund scheme in Hong Kong, employee pension schemes in the PRC, medical coverage, insurance, training and development programs and options that were granted under the pre-IPO share option scheme and the share option scheme, both of which were approved by the shareholders of the Company on 5 December 2013.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

SCOPE

This Environment, Social and Governance ("ESG") Report covers the overall ESG performance of the Group from 1 January 2016 to 31 December 2016, except where stated otherwise.

The report follows the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

ESG aspects as set forth in ESG Guide		Material ESG issues for the Group
A.	Environmental	
	A1 Emissions	Carbon dioxide emissions & waste management
	A2 Use of resources	Efficient use of energy
	A3 The environment and natural resources	Green office management Green design & certification
B.	Social	
	B1 Employment	Labour practices & equal opportunity employer
	B2 Health and safety	Workplace health & safety
	B3 Development and training	LWK Academy Committee
	B4 Labour standards	Obey & respect national laws & regulations
	B5 Supply chain management	Internal control system & fair and unbiased tender process
	B6 Product responsibility	–
	B7 Anti-corruption	Anti-corruption code & promotion training
	B8 Community investment	Community programme participation & donation

Notes: The business nature of the Group is design consultancy, which is non-industrial, and no substantial amounts of hazardous wastes would therefore be generated during our operation.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

In order to address the most significant material issues that concern by key stakeholders into the business strategies and report on the ESG report, the Group has adopted an on-going communication approach which involves its stakeholders in its decision-making process via various engagement methods. It is a way to prioritise ESG issues and balance the interests of the Group and its stakeholders.

Key stakeholders include shareholders, employees, customers, suppliers/partners, government/regulatory authorities and community.

STAKEHOLDER COMMUNICATION

The Group treasures stakeholders' feedback on any views on environmental, social and governance approaches and performance. Stakeholders could provide their opinions, suggestions or comments via e-mail at ccheng@cchengholdings.com.

MISSION AND VISION

C Cheng Holdings Limited is one of the leading comprehensive architectural services providers in Hong Kong and the PRC. The Group's corporate mission is to pursuit excellence in architectural design, with the goal of improving urban space while enhancing living quality of both individuals and general public. The Group sees itself as a benchmark of excellent performance in the industry.

As a leading knowledge-based professional consultant manned by a large group of experts in the fields, the Group shares a common vision for functional, sustainable, and user-friendly architectural design with all staff members. In addition, the Group aims for sustainable and profitable business to achieve long-term returns to its shareholders.

Being a responsible business and employer, the Group is committed to enhancing its policies and practices to fulfill our corporate social responsibilities.

A. ENVIRONMENTAL – ENVIRONMENT PROTECTION

Environmental Policy and Performance

The Group commits to continually improve its environmental performance and, ultimately, to minimise or even prevent any environmental impacts of its operations, activities, products, and services. The Group will identify materials, processes, products and wastes that would cause or may cause pollution, and will implement measures to avoid, reduce or control pollution where technically and economically viable. Also, the Group will comply with applicable environmental laws, regulations, codes of practice, and other requirements which relate to the environmental aspects to which the group subscribes. To achieve and maintain compliance, the Group will develop and maintain management systems for identifying relevant requirements and for monitoring performance of related activities. In short, the Group promotes sustainability.

Emission and Use of Resources

The Group's business nature is non-industrial. We do not offer any hazardous production nor produce any hazardous waste. No packaging material for finished product is applied during the operations.

It has no significant effect on production-related pollutions including air, water and land pollutions which are regulated under national laws and regulations. During the reporting period, the Group has only involved the emission resulting from electricity consumed within the office premises, a few company vehicles for daily travel, and business air travel by employees.

In 2016, the electricity consumption by the Group in Hong Kong office was 311,487 supplied by China Light & Power. The CO_2 equivalent emission was 196,237 kg which covered total floor area 27,858 sq. ft. To push forward the measures for energy conservation and emission minimisation in workplaces, the Group has replaced the old equipment/vehicle of high energy consumption and low efficiency by the energy-efficient and environmentally-friendly equipment/vehicle during the reporting period. Choosing of energy-efficient equipment was a given priority.

Environment and Natural Resources

Green Management

The Group continues to make its best endeavors to encourage staff members to carry out their daily work under the principles of "reduce, reuse and recycle".

Being an architectural services provider, paper is a major component of the Group's production work. To streamline the workflow and minimise the usage of paper, the Group has designed and implemented a seamless flow and paperless document management system called "PRMS". All documents in form of electronic image will be seamless distributed to the responsible parties and to be filed automatically in accordance with the assigned QR code system. This is a big step to paperless office with high efficiency.

In addition, the Group continues to educate staff members to have environmental friendly copying/printing habit such as duplex copying and printing. These practices have become the norm of the Group, which have greatly reduced paper consumption and saved the cost. Moreover, the Group deploys print management solution where printing papers would only be released upon presentation of staff card from the staff who gives the printing instruction. This further reduces unclaimed printing thus less paper usage and wastage is resulted. All waste papers are collected by specialised recycling company on a weekly basis for effective recycling. The specialised recycling company would also collect the waste printing cartridges and other disposal materials.

Green Certification

With over 30 years of experience in designing optimally efficient buildings, the Group not only supports compliance with local government regulations and environmentally responsible business practices, but also pays close attention to the use of natural resources which reduces environmental impacts and lowers the running costs. Over the years, the Group has accumulated an in-house professional team with special expertise in sustainability. Currently, it has around 20 senior staff with professional qualifications in green building and energy and environmental design such as LEED Pro, BEAM Pro and BEAM Plus. These personnel ensure that new development in materials and technology for sustainability and energy efficiency are constantly being incorporated into clients' designs, and that the Group is designing buildings with zero carbon impact on the environment. At the same time, these environmental features also improve the surroundings and enhance the sustainability of the communities in which they are situated.

In short, the Group is leading the way in promoting best practices in environmental design and the move towards sustainability. This is illustrated by the fact that many buildings designed by the Group have been widely recognised as displaying excellence through their environmental and energy efficient designs. In terms of energy conservation, all its designs meet the stringent sustainability criteria of Hong Kong's LEED, BEAM Pro, or BEAM Plus certification under the Hong Kong Green Building Council. The Company is a member of the Business Environment Council, the China Green Building (Hong Kong) Council, and the Hong Kong Green Building Council.

The Group continues to pursue its commitment to sustainability through its large-scale master-planning projects. One such project was a 10 sq. km. master-plan study for development of Weifang Hi-Tech Industry Development Zone in Shandong Province, China. The master-plan involved three main planning & water conservation and rain-water management strategies: firstly, through enhancement of water catchment areas through a network of green and blue belts and water quality protection zones; secondly, by capturing, retaining and recycling rain water through widespread urban landscaping and water features and adaptation of permeable materials for the built environment; and thirdly, by managing water quality ecologically through

"Blue-water Landscape" design concepts. The study advocated various "Sponge City" planning concepts at the macro and micro levels, and recommended a municipal water management mechanism to ensure successful implementation of the planning & design concepts for Weifang.

Caohejing Park, Shanghai

International Innovative Cloud Green Compact City, Shandong

We implement the green initiatives in many projects in both private and public sectors. Tsuen Wan West Station TW6 Development in Hong Kong for example, shall be designed and constructed to obtain the BEAM Plus Gold accreditation for both Residential Accommodations (RA) and Government Accommodations (GA) separately.

For RA portion, solar and noise impact assessment study could greatly improve the overall thermal performance and minimize the impact of traffic noise to the residential units respectively. For GA portion, solar pipes could induce the natural lightings to the sports center and Photovoltaic panels would be an alternative renewable energy source for generating electricity and hot water system. These sustainable features are designated to cater for unique mix of building type so as to reduce the overall energy consumption.

B. SOCIAL – EMPLOYMENT AND LABOUR PRACTICES, OPERATING PRACTICES, AND COMMUNITY

Employment and Labour Practices

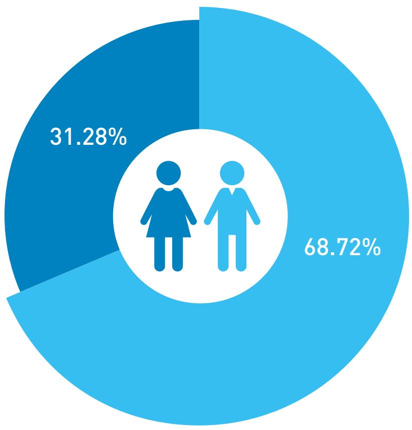
Being a leading knowledge-based professional consultant manned by a large group of experts in their fields. Without their expertise, the Group could never have achieved its current leading position. Therefore, employees are its valuable assets. Retaining and nurturing talents, and growing its talents base are its priorities for sustainable growth.

As of 31 December 2016, the Group has employed 601 staff (2015: 539) spreading around Hong Kong, the PRC and Asia Pacific. The distribution of the Group's workforce is summarised as below:

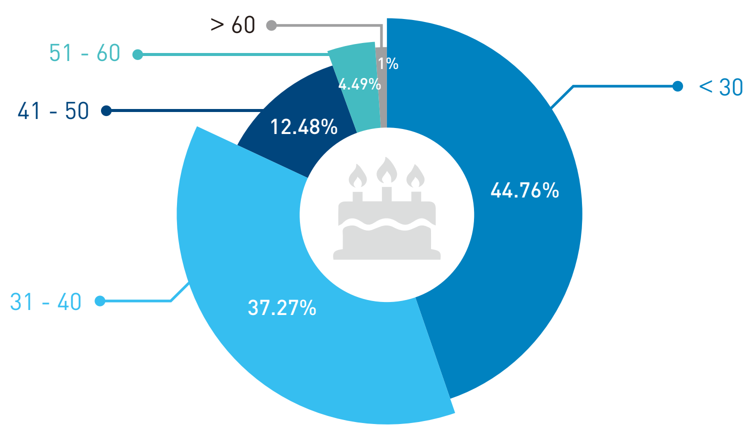
	Regional Distribution
Hong Kong	42.76%
PRC	50.25%
Asia Pacific	6.99%
Total	100.00%

The Group strictly follows national laws and regulations. Being an equal-opportunity employer, the Group implements the policy of equal-opportunity in all aspects, from recruitment process to staff promotion. It aims to attract talents from all over the world regardless of their race, colour, age, gender, ethnicity and religion. Every employee and job applicant receives equal opportunity and fair treatment. The hiring and selection is solely based on professional qualification, skills and experience while staff promotion is based on merit and performance. The Group respects gender equality by adopting same remuneration level and structure for male and female employees, and takes the same way to determine the remunerations. During the reporting period, no unequal or unfair case was received by the Group.

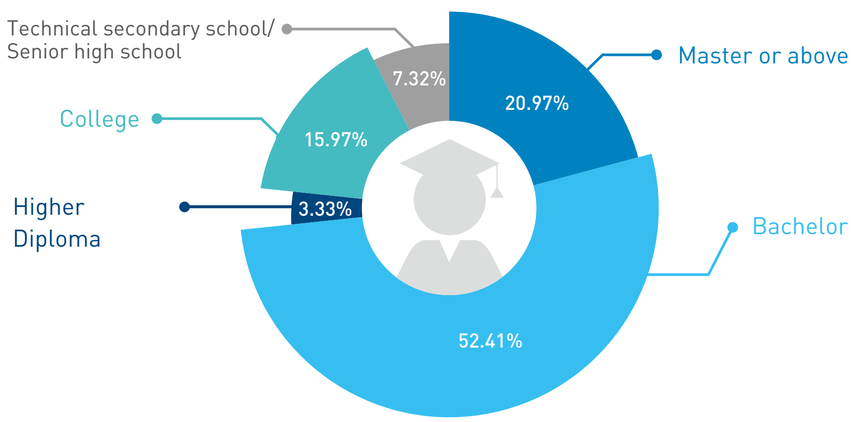
Percentage of Staff by Gender



Percentage of Staff by Age Group



Percentage of Staff by Education



Health and Safety

Employee is the building block of the Group. In order to provide health and well-being to the staff, the Group has offered medical and personal accident insurance as well as other competitive fringe benefits. In addition, the Group has arranged other wellness activities including fitness club privilege account enrolment and voluntary work initiatives which aim to staff's work-life balance.

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures. The Group is pleased to report that the rate of accidents and injuries during the reporting period was extremely low with zero fatal accident.

Recruitment

Effective recruitment is one of the critical success factors of talent management strategy. To boost the Group's sustainability, recruitment of high calibre architectural and landscape graduates from local leading universities would be arranged every year. Besides, the Group has formed an Academy Committee to design and implement structured training programmes to all employees, in particular, fresh graduates. Fresh graduates will be required to join the career development and training programmes to gain local practical experience and professional competence from the senior staff with respect to statutory control, contract administration, site construction, drawing production and design application. These are necessary skills for becoming Project Architect, Designer, and "To-be-Architect" Graduate Trainee. Moreover, management staff of the Group would provide executive coaching and mentoring to the trainees to further develop their professionalism and leadership.

Training and Development

The Group values every employee and believes that nurturing talents and exploring their potential are its key priorities to support the Group's business expansion as well as sustainable development.

In 2016, the training offered by Group amounted to 284 hours in total, with participation of 284 employees from all levels. Staff development starts right after the staff inception. The Group has designed and implemented a comprehensive induction programme for all new employees to learn about the Group's mission, value and culture. Following the induction programme, the LWK Academy Committee provides a series of practical training programme to equip them with the necessary skills and knowledge required to stay competitive.

The Group promotes life-long learning culture. Regular luncheon seminar and weekly sharing sessions on a wide range of popular topics such as product training, market practice, regulation update and personal interest, etc. are organized for the staff to exchange views causally. These gatherings provide opportunity for employees to widen their knowledge and help to develop their personal interest.

In addition to sponsoring its staff to participate the project-specific seminars, the Group offers paid leave for staff pursuing professional qualification and continuous professional development.

To ensure the continuous improvement in team quality, the Group invests considerable resources to increase training opportunities for employees and keeps monitoring and improving training courses so as to support the business operations and employee needs.

OPERATING PRACTICES

The Group upholds a fair, safe and ethical approach in its day-to-day operation towards its numerous and diversified contractors and suppliers.

Supply Chain Management

To comply laws and regulations of its operating countries intensity, the Group has established stringent internal control system to procuring goods and services through fair and unbiased tender process. The selection of subcontractors and suppliers will be based on competitive pricing, specifications and standards conformity, product and service quality as well as service support.

Anti-corruption

The Group has zero tolerance on any form of bribery and corruption. Employees are reminded to avoid situation that may lead to or involve a conflict of interest. Accordingly, the Group has established a Code of Conduct and stipulated it in the Staff Handbook. Staffs are strictly forbiddened to request, receive or accept any form of benefit from any person, company or organization which have business transaction with the Group.

To enforce the consciousness of anti-corruption, the Group will invite the Independent Commission Against Corruption ("ICAC") to conduct in-house seminar from time to time to introduce prevention of corruption and guidelines to its employees. Seminars will form part of the training materials in the staff induction programme.

COMMUNITY INVOLVEMENT

The Group extends our Corporate Social Responsibility ("CSR") services to a wider range of beneficiaries in Hong Kong. We strive to enrich scopes of tutoring from 3D printing technology, academic and practical trainings for students. Also, we hope to alleviate housing shortage for disadvantaged families by providing free architectural design services to NGOs.

Stimulation of Extensive Youth Development

In order to reach out to young generation of different ages and cultural backgrounds, the Group arranged different forms of future development programs in office as well as by partnerships. Our architects guided over 100 students to go through the career path of an architectural professional by office visits and seminars.

To facilitate students to experience daily operation setting of an architectural design firm, and prepare them landing a career in the industry, the Group co-organised the Youth Guidance Programs with St. James' Settlement ("SJS") and Hong Kong Unison Limited. The Group also conducted a sharing with 20 students from the Building Safety Pioneer Program in collaboration with the Buildings Department on how architects ensure building safety through design and techniques.

During the Project WeCan ("PWC") Career Exploration Days in June and November 2016, the Group offered opportunities to over 5,000 secondary school students in total to experience as Architectural Assistants to learn about interior design and architecture. Besides, the Group took part in the 3-week PWC Job Tasting Program to help students in choosing future career path and adapting to working environment in advance.

With the aim to inherit knowledge of 3D printing technology, the Group linked up the PWC partner school Ko Lui Secondary School with SJS on a love giving service. 20 primary school students from SJS were taught by the students from Ko Lui Secondary School to design and produce their own 3D printing materials for the story-telling in an elderly visit.

For university students, programs that the Group sponsored include CUHK Architecture Graduation Show 2016 and HKDI x UOL Architecture Design Graduation Exhibition 2016, etc.

Contribution to Community Welfares

The Group encourages all staff to participate in annual charity events held by the Community Chest. Active participation is what we value in implementing our CSR program, besides financial donations.

For the Community Chest Wheelock Swim for Millions 2016, the Group formed 2 swimming teams to take part in raising funds to support youth services. As for the Community Chest Corporate Challenge 2016, a running team of 62 participated, helping to benefit the visually and hearing impaired supported by The Community Chest.

This year, the Group also participated in several fund-raising events by different authorities, including the Rehab Power Day 2016 by Hong Kong Rehabilitation Power, the Construction Industry Sports Day cum Fun Day 2016 by Construction Industry Council and the Hong Kong Mine Challenge 2017 by Evangelical Lutheran Church of Hong Kong.

Participation in Cultural Landscape Improvement

To make Hong Kong an attractive home, the Group takes active role in cultural events with positive impact regionally and internationally.

In April 2016, the pavilions that LWK designed for the HKJC H.A.D Walk Project x Shatin & Sai Kung Exhibition was officially launched to show the interestingly reciprocal geographical characters of these two districts. The team believes that Shatin and Sai Kung intertwining elements of the Earth bring out the theme of the project – Fusion of Horizons.

Hevitage X Arts X Design Walk project – Fusion of Horizons

Renovation to the Empowerment Housing

Design expertise is what the Group hopes to give back to the society. By volunteering in Light Be program, we strive to affordable housing available for single-mother-families in Hong Kong. The Group offers free architectural consultancy services in Empowerment Housing in Sham Tseng, New Territories, which was officially launched and used in September 2016.

Originally utilised as the staff dormitory of Kowloon Cotton Mill, Empowerment Housing started the renovation construction in late-2015 with the aim to provide low-income families with over 40 sweet homes varying from 300 to 400 sq. ft.

Recognition in Community Engagement

The Group is committed to contribute back to the community by participating in various community caring services. We have garnered recognitions from different institutions for our multi-faceted community services throughout 2016.

Apart from being a Caring Company in six consecutive years, we were honored to receive significant recognitions on our enthusiasm for community services and support to the needy, including Bronze Award in Community Engagement Award from HSBC Living Business Awards 2016, Certificate of Appreciation – Partnership Fund for the Disadvantaged from the Social Welfare Department and the Partner Employer Award from The Hong Kong General Chamber of Small and Medium Business.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liang Ronald (梁鵬程), aged 67, was appointed a Director on 13 May 2013 and redesignated as the chairman of the Group and an executive Director on 5 December 2013. Mr. Liang is a founder of the Group and is responsible for the overall corporate development of the Group, managing relationships with clients and exploring new business opportunities. Mr. Liang is a director of certain subsidiaries of the Group. Mr. Liang graduated from the school of architecture of the South Australian Institute of Technology, Adelaide, Australia with a diploma in technology (architecture) in 1975.

Mr. Liang has 41 years of experience in the architectural service industry with 36 years of experience in Hong Kong. Prior to the establishment of Liang Wong Kou & Partners HK in 1985, Mr. Liang developed his career in architectural practices in Australia. Mr. Liang has also gained project experience from numerous projects in Hong Kong, the PRC, Macau and South East Asia.

Mr. Liang has been a registered architect in the state of New South Wales since 1980, an authorised person under the Buildings Ordinance of Hong Kong since 1984, a registered architect in Hong Kong since 1991, and a holder of class 1 registered architect qualification in the PRC since 2004. He also holds memberships in the following institutes:

- the Australian Institute of Architects since 1977;
- the Royal Institute of British Architects since 1981; and
- the Hong Kong Institute of Architects ("HKIA") since 1989.

Mr. Fu Chin Shing (符展成), aged 50, is the compliance officer of the Company and was appointed as the chief executive officer of the Group and an executive Director on 5 December 2013. Mr. Fu joined the Group in 1991. He is primarily responsible for overseeing the overall operations and strategic planning of the Group, managing relationships with clients and exploring new business opportunities. Mr. Fu is a director of certain subsidiaries of the Group. He graduated from the University of Hong Kong with a bachelor's degree of arts in architectural studies in 1988 and a bachelor's degree in architecture in 1991.

Mr. Fu has 25 years of experience in the architectural service industry in Hong Kong and the PRC.

He has been an authorised person under the Buildings Ordinance of Hong Kong and a registered architect in Hong Kong since 1993. He holds professional membership in the HKIA since 1992. He is also a class 1 registered architect in the PRC.

With his extensive experience in the industry, Mr. Fu has been serving various government advisory bodies including Town Planning Board, Construction Industry Council, Vocational Training Council , Construction Worker Registration Board, and Expert Database of Department of Housing and Urban-Rural Development of Guangdong Province (廣東省住建廳專家庫). Mr. Fu was appointed as the Justice of Peace in July 2016.

Mr. Wang Jun You (王君友), aged 52, was appointed as an executive Director on 5 December 2013. Mr. Wang joined the Group with the rank of director in 2011. Mr. Wang is primarily responsible for strategic planning and overseeing the operations in the PRC, managing relationships with clients and exploring new business opportunities. He graduated from Tsinghua University with a master's degree in architecture in 1989.

Mr. Wang has 27 years of experience in the architectural service industry in the PRC. He has obtained a class 1 registered architect in the PRC since 2001. Prior to joining the Group, Mr. Wang has gained managerial experience in architectural companies in the PRC. He has been involved in residential projects in the PRC. Mr. Wang is a director of a significant subsidiary established in the PRC. Mr. Wang is the spouse of Ms. Li Min, a member of senior management of the Group.

Mr. Lo Kin Nang (盧建能), aged 47, was appointed as an executive Director on 5 December 2013. He joined the Group in 1997 and was promoted to the rank of director in 2010. He is responsible for overseeing the operations in Hong Kong and Guangzhou in the PRC. He graduated from the University of New South Wales in Australia with a bachelor's degree in architecture in 1996.

Mr. Lo has 20 years of experience in the architectural service industry mainly in Hong Kong by being involved in projects in Hong Kong and the PRC. He served as an evaluation expert member of the Shenzhen Construction Bureau (深圳市住房和建設局建設工程評標專家庫專家成員) in 2012.

Mr. Lo has been a registered architect in Hong Kong since 2001 and a BEAM Pro since 2011. He holds professional membership in the HKIA since 2001 and a Chartered Membership of the Royal Institute of British Architects since 2016. He is also a class 1 registered architect in the PRC.

Mr. Ng Kwok Fai (吳國輝), aged 46, was appointed as an executive Director on 5 December 2013. He initially joined the Group in 1996 and later rejoined in 2004. He was promoted to the rank of director in 2010 and is responsible for overseeing the operations in Hong Kong. He graduated from the University of Hong Kong with a bachelor's degree in arts (architectural studies) in 1992 and a master's degree in architecture in 1995.

Mr. Ng has 21 years of experience in the architectural service industry in Hong Kong. He was involved in the Group's projects in Hong Kong and the PRC.

Mr. Ng has been a registered architect in Hong Kong since 1998 and an authorised person under the Buildings Ordinance of Hong Kong since 1999. He holds professional membership in the HKIA since 1998. He is also a class 1 registered architect in the PRC.

Mr. He Xiao (何曉), aged 49, was appointed as an executive Director on 5 December 2013. He joined the Group with the rank of director in 2007 and is responsible for overseeing the operations in the PRC, managing relationships with clients and exploring new business opportunities. Mr. He is a director of certain subsidiaries of the Group. He graduated from Huazhong University of Science & Technology (華中科技大學) in 1988 with a bachelor's degree in architecture.

Mr. He is well-versed in the architectural service industry. He has gained project experience by being involved in architectural design, urban and landscape design projects in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Wai Hung (盧偉雄), aged 57, was appointed as an independent non-executive Director on 5 December 2013. He graduated from James Cook University of North Queensland with a bachelor's degree in commerce in 1985. He is an associate member of the Institute of Chartered Accountants in Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lo is an independent non-executive director of Shandong Weigao Group Medical Polymer Company Limited (stock code: 1066), Talent Property Group Limited (stock code: 760), and LT Commercial Real Estate Limited (stock code: 112) the shares of these companies are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lo was appointed as an independent non-executive director of Mr. Lo was also an independent director of China Merchant Property Development Co. Ltd since 2011 and the shares of which were ceased from listing on the Shenzhen Stock Exchange on 30 December 2015.

Mr. Wang Julius (王哲身), aged 55, was appointed as an independent non-executive Director on 5 December 2013. He received his undergraduate studies in economics at the University of New Hampshire and a master's degree in business administration from Harvard Business School in 1991. Mr. Wang has experience in the investment management industry. He was a managing director of Samena Asia Managers Limited between 2009 and 2014. Previously, he was a managing director of China Apollo Holdings Limited (stock code: 512) between 1997 and 1998 and a non-executive director of Symphony Holdings Limited (stock code: 1223) in 2001, the shares of both companies are listed on the Stock Exchange.

Mr. Yu Chi Hang (alias, Yue Chi Hang) (余熾鏗), aged 67, was appointed as an independent non-executive Director on 5 December 2013. He graduated from the University of Hong Kong with a bachelor's degree in architectural studies in 1972 and a bachelor's degree in architecture in November 1974. He also holds professional membership in the HKIA since 1976. Mr. Yu has over 32 years of service with the Hong Kong government. He joined the Hong Kong government as graduate architect in 1974 and was promoted to chief architect in February 1988. He was appointed as the deputy director of the Architectural Services Department in July 1998. He took up the position of director of the Architectural Services Department in November 2002 and retired in July 2009. Mr. Yu received the Silver Bauhinia Star award from the Hong Kong government in 2009 and was previously an official Justice of the Peace.

SENIOR MANAGEMENT

Mr. Chan Pak Yuen (陳柏源), aged 39, is the director of architecture. He is responsible for the operations in Shenzhen. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in architectural studies and a master's degree in architecture in December 1999 and December 2002, respectively. He joined the Group in July 2002 as an architectural assistant and was promoted to the rank of director in April 2012. Mr. Chan has been a registered architect in Hong Kong and has held professional membership in the HKIA since 2006.

Mr. Chan Chui Man (陳聚文), aged 41, is the director of architecture. He is responsible for assisting the executive Directors in overseeing the operations in Hong Kong. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in architectural studies and a master's degree in architecture in December 1997 and November 2000, respectively. He joined the Group in June 2000 as an architectural assistant and was promoted to the rank of director in January 2014. Mr. Chan has been a registered architect in Hong Kong since 2003, an authorised person under the Buildings Ordinance of Hong Kong since 2014 and a LEED AP of US Green Building Council since 2009 and a BEAM Pro since 2011 to 2015. He has held professional membership in the HKIA since 2003.

Mr. Ma Kwai Lam Lambert (馬桂霖), aged 48, is the director of architecture. He is responsible for assisting the executive Directors in overseeing the operations in Hong Kong. Mr. Ma graduated from Virginia Polytechnic Institute and State University, USA with a bachelor's degree in architecture in 1995. He joined the Group in July 2009 and was promoted to the rank of director in January 2014. Mr. Ma has 21 years of experience in the architectural service industry in Hong Kong. Mr. Ma has held professional membership in the HKIA since 2011 and has been a registered architect in Hong Kong since 2012.

Ms. Yu Wing Sze (余詠詩), aged 40, is the company secretary and authorised representative of the Company and chief financial officer of the Group. She is responsible for overseeing the overall financial management of the Group. Ms. Yu graduated from the University of Hong Kong with a bachelor's degree in accounting and finance in December 1998. She joined the Group and served as finance and accounting director of LWK (Hong Kong) in August 2011. She has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since 2003. She was admitted as a member and a fellow of the Association of Chartered Certified Accountants in November 2001 and December 2006, respectively. Ms. Yu has over 18 years of accounting and auditing experience accumulated for working for international accounting firm and main board listed companies in Hong Kong.

Ms. Li Min (李敏), aged 52, is the financial controller of 梁黃顧建築設計(深圳)有限公司. She is responsible for the finance, administration and human resources management for the operations in the PRC. Ms. Li graduated from the Liaoning University (遼寧大學) with a bachelor's degree in biology in July 1988. Ms. Li was accredited as an engineer (工程師) by the Title Management Office of Shenzhen City (Second Evaluation Committee of Engineer Qualification of Construction Engineering) (深圳市職稱管理辦公室(深圳市建築工程技術工程師資格第二評審委員會)) in November 1999 with over 26 years of related experience. Before joining the Group in 2011, Ms. Li served as financial controller and deputy general manager in an architectural firm in Shenzhen and having many years of managerial experience. Ms. Li is the spouse of Mr. Wang, an executive Director and a significant Shareholder of the Group.

Ms. Zhang Li Juan (張麗娟), aged 52, is the operations controller in the PRC. She is responsible for the operations and contract management for the projects in the PRC. Ms. Zhang graduated from Chongqing Professional Construction College (重慶建築專科學校) with a professional certificate in management in construction engineering (建築工程管理專業) in July 1988. Ms. Zhang has over 20 years of managerial experience in operations and/or contract departments. She was accredited as an engineer (工程師) by the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in March 1998.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2016, the Company complied with the Code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

(A) CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making; (ii) the improvement in transparency and disclosure of information to shareholders; (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders; and (iv) the improvement in management of risk and the enhancement of performance by the Group. The Company will continue to monitor and review its corporate governance practices to ensure compliance with the regulatory requirements and to meet the expectations of the shareholders and investors.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code") in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings regarding securities transactions and the Model Code for the year ended 31 December 2016 and the Company was not aware of any non-compliance with the required standard of dealings, the Model Code and its code of conduct regarding securities transactions by Directors.

(C) BOARD OF DIRECTORS

The Board is entrusted with the overall responsibility for promoting the success of the Company by directing and supervising the Company's business and affairs. The ultimate responsibility for the day-to-day management of the Company is delegated to the chairman, chief executive officer and the senior management of the Company. In practice, the Board takes responsibilities for decision making in all major matters of the Company. The day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management. Approval has to be obtained from the Board prior to any significant transactions entered into by the Group and the Board has the full support of them to discharge its responsibilities.

As at the date of this report, the Board comprises nine Directors, including six executive Directors and three independent non-executive Directors. The composition of the Board is set out as follows:

Executive Directors

Mr. Liang Ronald (Chairman)
Mr. Fu Chin Shing (Chief Executive Officer)
Mr. Wang Jun You
Mr. Lo Kin Nang
Mr. Ng Kwok Fai
Mr. He Xiao

Independent Non-Executive Directors

Mr. Lo Wai Hung
Mr. Wang Julius
Mr. Yu Chi Hang

Each independent non-executive Director has given an annual written confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

The Board meets at least twice a year at approximately half-year intervals and additional meetings will be convened as and when required. During the year ended 31 December 2016, the record of attendance of each Director is set out as follows:

Directors	**board meeting attended/ eligible to attend**	**general meeting attended/ eligible to attend**
Executive Directors		
Mr. Liang Ronald	9/10	3/3
Mr. Fu Chin Shing	10/10	3/3
Mr. Wang Jun You	9/10	3/3
Mr. Lo Kin Nang	10/10	3/3
Mr. Ng Kwok Fai	10/10	3/3
Mr. He Xiao	10/10	2/3
Independent Non-Executive Directors		
Mr. Lo Wai Hung	10/10	3/3
Mr. Wang Julius	10/10	2/3
Mr. Yu Chi Hang	10/10	2/3

Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals to achieve a balance of authority and power, which is in compliance with the Code Provision A.2.1 of the Code.

The Chairman of the Board is Mr. Liang Ronald, who provides leadership for the Board and ensures its effectiveness in all aspects. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at the Board meetings.

The Chief Executive Officer is Mr. Fu Chin Shing, who is in charge of the Company's day-to-day management and operations and focuses on implementing objectives, policies and strategies approved and delegated by the Board.

Appointments, Re-Election and Removal of Directors

The current articles of association of the Company (the "Articles") provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each Independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence and must provide an annual confirmation of his independency to the Company.

The Board recommended the re-appointment of the retiring Directors standing for re-election at the forthcoming annual general meeting of the Company. Details of the information of the retiring Directors standing for re-election are set out in the circular accompanying the notice of the annual general meeting.

Independent Non-Executive Directors

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the three independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three year.

Continuing Professional Development

The Directors are aware of the requirement under the code provision A.6.5 of the Code regarding continuous professional development. During the year, the Company had arranged a training session to all Directors in regards to director's duty which was conducted by an external professional firm. In addition, the Directors also reviewed the reading materials related to corporate governance and regulations that provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments. All Directors provided the Company a record of training they received in 2016.

Directors' and Officers' Insurance

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

Board Committees

The Board has established three committees, namely audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), to oversee particular aspects of the Company's affairs. Their respective terms of reference are set out in the Company's website.

Audit Committee

The Company has established the Audit Committee on 5 December 2013 with terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules, and paragraphs C.3.3 and D.3.1 of the Code. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the consolidated financial statements and the interim and annual reports of the Group, reviewing the terms of engagement and scope of audit work of the external auditors, and performing the corporate governance function.

The composition of the Audit Committee is as follows:

Mr. Lo Wai Hung (Chairman)
Mr. Wang Julius
Mr. Yu Chi Hang

The members of the Audit Committee possess diversified industry experience and the chairman of the Audit Committee has appropriate professional qualifications and experience in accounting matters.

The Audit Committee has reviewed with the management of the Group the financial and accounting policies and practices adopted by the Group, its internal controls and financial reporting matters, the corporate governance procedures and practices and the above audited annual results of the Group for the year ended 31 December 2016.

According to the current terms of reference, the Audit Committee shall meet at least twice a year. Three meetings were held by the Audit Committee for the year ended 31 December 2016. The record of attendance of each member of the Audit Committee is set out as follows:

Name of member of the Audit Committee	**meeting attended/ eligible to attend**
Mr. Lo Wai Hung	3/3
Mr. Wang Julius	3/3
Mr. Yu Chi Hang	3/3

Remuneration Committee

The Company has established the Remuneration Committee on 5 December 2013 with terms of reference in compliance with paragraph B.1.2 of the Code. The primary duties of the Remuneration Committee include, among other things, formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of independent non-executive Directors.

The composition of the Remuneration Committee is as follows:

Mr. Yu Chi Hang (Chairman)
Mr. Fu Chin Shing
Mr. Lo Wai Hung

One meeting was held by the Remuneration Committee for the year ended 31 December 2016 and the record of attendance of each member of the Remuneration Committee is set out as follows:

Name of member of the Remuneration Committee	meeting attended/ eligible to attend
Mr. Yu Chi Hang	1/1
Mr. Fu Chin Shing	1/1
Mr. Lo Wai Hung	1/1

Nomination Committee

The Company has established the Nomination Committee on 5 December 2013 with terms of reference in compliance with paragraph A.5.2 of the Code. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying and nomination of directors and making recommendations to the Board on appointment and re-appointment of Directors.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance in compliance with paragraph A.5.6 of the Code.

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations. Qualified candidates will then be recommended to the Board for approval.

The composition of the Nomination Committee is as follows:

Mr. Liang Ronald (Chairman)
Mr. Wang Julius
Mr. Yu Chi Hang

One meeting was held by the Nomination Committee for the year ended 31 December 2016 and the record of attendance of each member of the Nomination Committee is set out as follows:

Name of member of the Nomination Committee	meeting attended/ eligible to attend
Mr. Liang Ronald	1/1
Mr. Wang Julius	1/1
Mr. Yu Chi Hang	1/1

Company Secretary

Ms. Yu Wing Sze was appointed as the company secretary of the Company on 5 December 2013. She has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since 2003. She was admitted as a member and a fellow of the Association of Chartered Certified Accountants in November 2001 and December 2006, respectively.

For the year ended 31 December 2016, she has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

(D) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Risk Management and Internal Control

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The system of internal control aims to help achieving the Group's business objectives, adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the systems of risk management and internal control from time to time in response to the changes to the business environment of regulatory guidelines.

The Group is committed to maintaining and upholding good corporate governance practice and internal control systems. The Board is delegated to a team responsible for internal control of the Group and for reviewing its effectiveness.

The Board has reviewed the effectiveness of the Group's material internal controls and concluded that in general, the Group's internal control system is effective and adequate, no material deficiencies has been identified.

Auditor's Remuneration

The remuneration in respect of the services provided by the independent auditors of the Company for the Group for the years ended 31 December 2016 and 2015 respectively are analysed as follows:

Services rendered	Fees paid/payable 2016 HK$'000	 2015 HK$'000
Audit services	**1,100**	1,100
Non-audit services		
– Review of quarterly and interim financial information	**230**	350
– Review of working capital sufficiency for transfer of listing	**–**	360
– Tax compliance and planning review	**28**	38
– Review of result announcements	**20**	20
	1,378	1,868

(E) SHAREHOLDERS' RIGHTS

The general meetings of the company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to convene extraordinary general meeting

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business in Hong Kong at 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionist(s).

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request which has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

(a) At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

(b) At least 21 clear days' notice in writing (and not less than 10 business days) if calling for the proposal constitutes a special resolution of the Company in EGM.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be first directed to the company secretary of the Company at the Company's principal place of business in Hong Kong at 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Company Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 85 of the Articles, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

(F) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its shareholders on its latest business developments and financial performance through its annual and interim reports. The corporate website of the Company (www.cchengholdings.com) has provided an effective communication platform to the public and the shareholders.

(G) CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2016, there had been no significant change in the Company's constitutional documents.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of C Cheng Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in Note 34 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 and the Group's financial position at that date are set out in the Group's financial statements on pages 62 to 64.

The directors recommend a final dividend of HK3.0 cents per share amounting to approximately HK$5,887,000 for the year ended 31 December 2016, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 required by Schedule 5 to the Hong Kong Companies Ordinance is set out in the section headed "Management Discussion and Analysis" on pages 8 to 17 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to be an environmentally-friendly corporation. It is a knowledge-based consultancy firm focusing on the design of different types of built environment. Its physical operations are primarily office based with minimal environment impact. Details have been set out in the section headed "Environmental — Environment Protection" in the "Environment, Social and Governance Report" on pages 20 to 22 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC and Hong Kong while the Company itself is listed on the Stock Exchange in Hong Kong. Our establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2016 and up to the date of this report, we have complied with all the relevant laws and regulations in the PRC and Hong Kong.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Human resources are one of the most valuable assets of the Group. The Group also offers competitive remuneration packages to our employees. Details of the "Employment and Labour Practices" are set out in the Environment, Social and Governance Report on pages 22 to 25 of this annual report.

The Group treasured to maintain a good relationship with its customers. We are committed to offer a broad and diverse range of inspiring, value-for-money, good quality designs to our customers.

The Group maintains a fair, safe and ethical approach in its day-to-day operation towards its numerous and diversified contractors and suppliers. To comply with the laws and regulations of its operating countries intensity, the Group has established stringent internal controls to procuring goods and services through fair and unbiased tender process. The selection of subcontractors and suppliers will be based on competitive pricing, meet specifications and standards, product and service quality as well as service support.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 120 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2016 are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 26 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 65 of this annual report.

DISTRIBUTABLE RESERVES

The Directors consider that the Company's reserves available for distribution to shareholders comprise the share premium and the retained earnings which amounted to HK$121,435,000 (2015: HK$113,356,000). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Liang Ronald (Chairman)
Mr. Fu Chin Shing (Chief Executive Officer)
Mr. Wang Jun You
Mr. Lo Kin Nang
Mr. Ng Kwok Fai
Mr. He Xiao

Independent non-executive directors

Mr. Lo Wai Hung
Mr. Wang Julius
Mr. Yu Chi Hang

Pursuant to Article 84(1) of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

In accordance with the provisions of the Company's Articles of Association, Mr. Liang Ronald, Mr. Wang Jun You, and Mr. Yu Chi Hang will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a period of three years commencing from 5 December 2013 and will continue thereafter until termination in accordance with the terms of the agreement.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a term of three years, subject to retirement by rotation and re-election at annual general meeting and until terminated by not less than one months' notice in writing served by either party on the other.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and Officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Hong Kong Companies Ordinance when this report prepared by the Directors is approved in accordance with section 391(1)(a)/469(2) of the Hong Kong Companies Ordinance.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2016, the interests and short positions of the Directors and the chief executive in the shares and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited 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	83,068,000	42.33%
	The Company	Beneficial interest	324,000	0.16%
	The Company	Beneficial interest	4,300,000[Note 1]	2.19%
Fu Chin Shing	The Company	Interest in a controlled corporation	36,632,000	18.66%
	The Company	Beneficial interest	176,000	0.08%
	The Company	Beneficial interest	2,350,000[Note 1]	1.19%
Wang Jun You	The Company	Interest in a controlled corporation	15,300,000	7.79%
	The Company	Beneficial interest	1,450,000[Note 1]	0.73%
	The Company	Interest of spouse	200,000[Note 2]	0.10%
	梁黃顧建築設計(深圳)有限公司	Equity interest	–	1.00%
Lo Kin Nang	The Company	Beneficial interest	1,000,000[Note 1]	0.50%
Ng Kwok Fai	The Company	Beneficial interest	1,000,000[Note 1]	0.50%
He Xiao	The Company	Beneficial interest	1,000,000[Note 1]	0.50%

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

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

(2) Short positions

Other than as disclosed above, as at 31 December 2016, 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 as otherwise notified to the Company and the Stock Exchange under the Model Code.

SHARE OPTION SCHEMES

Particulars of the Company's share option scheme and pre-IPO share option scheme (the "Share Option Schemes") are set out in Note 31 to the consolidated financial statements.

The Share Option Schemes have been adopted to provide incentive or reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest.

There were total of 3,600,000 share options being granted pursuant to the Share Option Schemes during the year ended 31 December 2016.

The following table discloses movements in the Company's pre-IPO share options and share options during the year:

Pre-IPO Share Options

Category of grantees	Date of grant	Exercise Price per share	Outstanding at beginning of year	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at end of the year
Executive Directors							
– Liang Ronald	6/12/2013	HK$0.83	800,000	–	–	–	800,000
– Fu Chin Shing	6/12/2013	HK$0.83	800,000	–	–	–	800,000
– Wang Jun You	6/12/2013	HK$0.83	800,000	–	–	–	800,000
– Lo Kin Nang	6/12/2013	HK$0.83	800,000	–	–	–	800,000
– Ng Kwok Fai	6/12/2013	HK$0.83	800,000	–	–	–	800,000
– He Xiao	6/12/2013	HK$0.83	800,000	–	–	–	800,000
Senior management and other employees	6/12/2013	HK$0.83	1,625,000	–	(1,572,000)	(53,000)	–
			6,425,000	–	(1,572,000)	(53,000)	4,800,000

Share Options

Category of grantees	Date of grant	Exercise Price per share	Outstanding at beginning of year	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at end of the year
Executive Directors							
– Liang Ronald	9/9/2015	HK$2.25	3,500,000	–	–	–	3,500,000
– Fu Chin Shing	9/9/2015	HK$2.25	1,550,000	–	–	–	1,550,000
– Wang Jun You	9/9/2015	HK$2.25	650,000	–	–	–	650,000
– Lo Kin Nang	9/9/2015	HK$2.25	200,000	–	–	–	200,000
– Ng Kwok Fai	9/9/2015	HK$2.25	200,000	–	–	–	200,000
– He Xiao	9/9/2015	HK$2.25	200,000	–	–	–	200,000
Senior management and other employees	9/9/2015	HK$2.25	2,500,000	–	(50,000)	(100,000)	2,350,000
Consultants *(Note)*	28/1/2016	HK$2.80	–	3,600,000	(1,000,000)	–	2,600,000
			8,800,000	3,600,000	(1,050,000)	(100,000)	11,250,000

Note The closing price of the Company's shares immediately before 28 January 2016, the date of grant of the 2016 options, was HK$1.78. The option period during which the 2016 options may be exercise is from 1 October 2016 to 30 September 2018 (both dates inclusive).

The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK$2.58.

As at report date, 4,800,000 and 11,150,000 shares are issuable for options granted under the Pre-IPO Share Option Scheme and Share Option Scheme, representing approximately 2.45% and 5.68% of the total number of issued shares at that date respectively.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

No transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time was a Director or his connected entity had, directly or indirectly, a material interest subsisted at any time during the year or at the end of 2016.

COMPLIANCE OF NON-COMPETITION UNDERTAKING

Mr. Liang Ronald, Rainbow Path International Limited and Veteran Ventures Limited (collectively, the "Covenantors") have entered into a deed of non-competition dated 16 December 2013 in favour of the Company (the "Deed of Non-competition") pursuant to which each of the Covenantors irrevocably undertakes, among other things, that it/he shall not, and shall procure that none of their respective associates (other than members of the Group) shall, during the period in which (i) the shares of the Company (the "Shares") remained listed on the Stock Exchange; and (ii) the Covenantors and their associates (other than members of the Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of the Company, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business of architecture, landscape architecture, town planning, interior design and heritage conservation and any other new business which the Group may undertake from time to time after the listing.

In order to ensure the Covenantors have complied with the Deed of Non-competition, the following actions have been taken:

(i) The Company has required each of the Covenantors to give confirmation to the Company on an annual basis as to whether he or it has complied with the Deed of Non-competition;

(ii) Each of the Covenantors has provided to the Company such written confirmation (a) in respect of his/its compliance with the Deed of Non-competition for the year ended 31 December 2016; and (b) stating that he/it has not entered into any business which may be in competition with the business carried on by the Group from time to time;

(iii) The independent non-executive directors of the Company has reviewed the status of compliance by each of the Covenantors with the undertakings in the Deed of Non-competition during the year ended 31 December 2016 and confirmed that, so far as they can ascertain, the Covenantors have complied with the Deed of Non – competition; and

(iv) The Company has enquired each of the Covenantors, from time to time, on whether he/it has engaged in any business which competes or might compete with the business of the Group before publication of this annual report and the Company has gained an understanding from the Covenantors that each of the Covenantors has not engaged in any business which compete or might compete with the business of the Group.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective 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 year ended 31 December 2016, as required to be disclosed under Rule 8.10(2) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

MANAGEMENT CONTRACT

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

CHANGES IN INFORMATION OF DIRECTORS

The change in the information of directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is as follows:

Mr. Fu Chin Shing, an executive director and CEO of the Company, was appointed as the Justice of Peaco in July 2016.

Mr. Lo Kin Nang, an executive director of the Company, obtained a Chartered Membership of the Royal Institute of British Architects since May 2016.

Mr. Lo Wai Hung, an independent non-executive director of the Company, was appointed as an independent director of LT Commercial Real Estate Limited, the shares of which is listed on the Stock Exchange of Hong Kong Limited on 3 March 2017.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, 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 a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions 2 and 3 of Part XV of the SFO, as 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	Name of the company in which interest is held	Capacity	Total number of ordinary shares	Long/short position	Percentage of total issued share capital in the Company
Rainbow Path International Limited	The Company	Beneficial owner (Note 1)	75,868,000	Long	38.66%
Veteran Ventures Limited	The Company	Beneficial owner (Note 1)	7,200,000	Long	3.66%
Vivid Colour Limited	The Company	Beneficial owner (Note 2)	36,632,000	Long	18.66%
Jun Ming Investments Limited	The Company	Beneficial owner (Note 3)	15,300,000	Long	7.79%
Liang Sharon	The Company	Interest of spouse (Note 4)	87,692,000	Long	44.69%
Chung Wai Chi, Connie	The Company	Interest of spouse (Note 5)	39,158,000	Long	19.95%
Li Min	The Company	Interest of spouse (Note 6)	16,750,000	Long	8.53%
	The Company	Beneficial owner (Note 7)	200,000	Long	0.10%

Notes:

1. Rainbow Path International Limited and Veteran Ventures Limited are 100% owned by Mr. Liang Ronald.

2. Vivid Colour Limited is 100% owned by Mr. Fu Chin Shing.

3. Jun Ming Investments Limited is 100% owned by Mr. Wang Jun You.

4. Ms. Liang Sharon, being spouse of Mr. Liang Ronald, is deemed to be interested in the 87,692,000 shares and share options held by Mr. Liang Ronald under the SFO.

5. Ms. Chung Wai Chi, Connie, being spouse of Mr. Fu Chin Shing, is deemed to be interested in the 39,158,000 shares and share options held by Mr. Fu Chin Shing under the SFO.

6. Ms. Li Min, being spouse of Mr. Wang Jun You, is deemed to be interested in the 16,750,000 shares and share options held by Mr. Wang Jun Yau under the SFO.

7. It represents the interest in 100,000 shares and the interest in 100,000 underlying shares upon exercise of the share options granted under the Share Option Scheme.

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CONNECTED AND RELATED PARTY TRANSACTIONS

The Company had not entered into any connected transaction during the year ended 31 December 2016 which is required to be disclosed under the Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2016 are disclosed in Note 30 to the consolidated financial statements. The related party transactions set out in Note 30 to the consolidated financial statements did not constitute connected transactions under the Listing Rules.

REMUNERATION POLICY

The remuneration policy for the employees of the Group is determined with reference to market terms and the performance, qualifications and experience of the individual employee.

The emoluments of the directors of the Company are decided by the board of directors after recommendation from the Remuneration Committee, having considered the factors such as the Group's financial performance, the achievement of special targets and the individual performance of the Directors, etc.

The Company has adopted share option schemes as an incentive to directors and eligible employees, details of the schemes are set out in Note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

From publicly available information and as far as the Directors are aware, the Company has maintained a sufficient public float throughout the year ended 31 December 2016 and has continued to maintain such a float as at the date of this annual report.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$588,000.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2016, the aggregate revenue attributable to the Group's five largest clients represented approximately 37.2% of the Group's total revenue. The revenue attributable to the Group's largest client represented approximately 10.3% of the Group's total revenue for the same period.

For the year ended 31 December 2016, the aggregate sub-consultancy fee paid to the Group's five largest suppliers represented approximately 3.7% of the Group's total costs of services. The sub-consultancy fee to the Group's largest supplier represented approximately 0.9% of the Group's total costs for the same period.

None of the Directors nor any of their close associates nor any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest clients and/or five largest suppliers during the year.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the year ended 31 December 2016 are set out in Note 37 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Mr. Liang Ronald
CHAIRMAN

31 March 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF C CHENG HOLDINGS LIMITED
思城控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of C Cheng Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 62 to 119, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Revenue recognition on contract works	
We identified the revenue recognition on contract works as a key audit matter due to the significant judgments exercised by the management of the Company in determining the estimation of contract revenue and contract costs. The Group recognises contract revenue and costs by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Accordingly, revenue recognition involves a significant degree of judgment, with estimates being made to assess the total contract costs and stage of completion of the contract and provide appropriately for loss making contracts. As disclosed in note 5 to the consolidated financial statements, the contract revenue amounted to HK$358,944,000 for the year ended 31 December 2016. Notwithstanding that management reviews and revises the estimates of contract costs for the comprehensive architectural services as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised for the financial year.	Our procedures in relation to revenue recognition on contract work included: • Understanding the management's process relating to the estimation of total contract costs and recording of costs; • Obtaining an understanding from the Group's project team including project managers and architects, about the contract terms, performance and status of selected contracts to evaluate the reasonableness of project team's basis of estimation of the contract costs, and contract costs of the project incurred for work performed to date; • Engaging our internal Information Technology specialists to assess the accuracy of the staff costs allocated to selected contracts with reference to the data extracted from the Group's timesheet recording system to evaluate the reasonableness of the total cost incurred for work performed to date which is one of the inputs used to determine the percentage of completion of individual contracts; and • Performing comparisons between the percentage of completion and the percentage of progress billing on selected contracts to identify and investigate any significant differences.

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of amounts due form customers for contract work and progress billings receivable form contract customers	
We identified the recoverability of amounts due from customers for contract work and progress billings receivable from contract customers as a key audit matter due to the use of judgment and estimates by the management of the Company in determining the allowance for doubtful debts or write offs of uncollectable bad debts. As shown in notes 20 and 21 to the consolidated financial statements, at 31 December 2016, the carrying amount of amounts due from customers for contract work and progress billings receivable are HK$143,001,000 and HK$100,815,000 (net of allowance for doubtful debts of HK$2,766,000), respectively. In determining the allowance for doubtful debts and write offs of bad debts, the management of the Company has considered the collectability and aging analysis of individual trade debts, progress billings receivable from contract customers amounts due from customers for contract work. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, taking into account the current creditworthiness, and the past collection history of each customer.	Our procedures in relation to recoverability of amounts due from customers for contract work and progress billings receivable from contract customers included: • Obtaining an understanding of how allowance for progress billings receivable is estimated by the management to assess the reasonableness of the allowance for trade receivables with reference to the subsequent settlements and aging analysis of progress billings receivable; • Testing the aging analysis of progress billings receivable, on a sample basis, to the source documents; • Checking subsequent settlement of progress billings receivable from contract customers to the source documents; • Discussing with the management and evaluating their assessment of the recoverability of progress billings receivable, in particular those aged over one year with no or minimal settlement of the balances during the year or subsequent to the end of the reporting period; • Checking the progress billings and contract costs, on a sample basis, to invoices issued and staff costs incurred respectively; and • Performing interviews with the relevant project team to understand the contract terms, performance and status of selected projects to evaluate the recoverability of amounts due from customers for contracts works.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill arising from acquisition of Cfu Come Limited ("Cfu Come")	
We identified the impairment assessment of goodwill arising from acquisition of Cfu Come as a key audit matter due to the significant judgement exercised by the Group's management in performing the impairment testing. Cfu Come is engaged in provision of repair and fitting out works and operation of related mobile application. Cfu Come was acquired so as to extend the interior design sector of the Group. The value in use assessment to support the continued carrying amount of goodwill involves the application of subjective judgment about future business performance. Determining the amount of impairment for goodwill requires an estimation of the recoverable amount of the Group's investment in Cfu Come, which is the value in use of Cfu Come, to which goodwill has been allocated. The value in use calculation requires the Group's management to estimate the future cash flows expected to arise from Cfu Come and apply a suitable discount rate in order to calculate the present value. It involves the application of subjective judgement about future business performance. Where the actual future cash flows are less than expected, a material impairment loss may arise. As disclosed in note 15 to the consolidated financial statements, the carrying amount of goodwill that resulted from the acquisition of Cfu Come was approximately HK$16,631,000 and no impairment in respect of the goodwill attributed to Cfu Come was recognised at 31 December 2016.	Our procedures in relation to the impairment assessment of goodwill arising from acquisition of Cfu Come, included: • Understanding how the management performs the impairment testing, including the valuation model adopted and assumptions used; • Evaluating the appropriateness of the key assumptions used in the cash flow forecasts including growth rate, budgeted revenues and gross margin, with reference to the relevant growth forecasts and business plan; • Evaluating the reasonableness of, and recalculating, the sensitivity assessment applied by the Group's management; and • Assessing whether the disclosures of impairment testing in the consolidated financial statements are sufficient and appropriate.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wu Ka Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5	**358,944**	354,799
Cost of services		**(257,418)**	(255,359)
Gross profit		**101,526**	99,440
Other income	6	**298**	678
Other gains and losses	7	**(6,044)**	(282)
Administrative expenses		**(69,426)**	(63,032)
Transfer of listing expenses		**–**	(1,785)
Finance costs	8	**(32)**	(99)
Profit before taxation	9	**26,322**	34,920
Income tax expense	11	**(6,056)**	(7,831)
Profit for the year		**20,266**	27,089
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(6,082)**	(2,659)
Reclassification adjustment upon disposal of a subsidiary		**(497)**	–
Other comprehensive expense for the year		**(6,579)**	(2,659)
Total comprehensive income for the year		**13,687**	24,430
Profit (loss) for the year attributable to:			
Owners of the Company		**20,745**	27,666
Non-controlling interests		**(479)**	(577)
		20,266	27,089
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**14,196**	25,022
Non-controlling interests		**(509)**	(592)
		13,687	24,430
Earnings per share (expressed in HK cents)	12		
Basic		**10.7**	15.3
Diluted		**10.5**	14.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	14	**11,661**	17,959
Goodwill	15	**20,897**	21,196
Intangible assets	16	**1,336**	1,592
Rental and utility deposits	17	**5,393**	5,720
Deferred tax assets	18	**1,496**	390
		40,783	46,857
Current assets			
Held for trading investments	19	**–**	757
Amounts due from customers for contract work	20	**143,001**	146,164
Progress billings receivable from contract customers	21	**100,815**	105,523
Prepayments and other receivables	17	**5,428**	3,091
Pledged bank deposits	22	**–**	2,546
Bank balances and cash	22	**83,104**	58,116
		332,348	316,197
Current liabilities			
Trade payables	23	**3,481**	3,567
Accruals and other payables	24	**72,072**	55,254
Amounts due to customers for contract work	20	**89,394**	114,901
Obligations under finance leases	25	**306**	370
Income tax payable		**6,811**	5,606
		172,064	179,698
Net current assets		**160,284**	136,499
Total assets less current liabilities		**201,067**	183,356

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Obligations under finance leases	25	**–**	306
Deferred tax liabilities	18	**2,081**	2,719
		2,081	3,025
Net assets		**198,986**	180,331
Capital and reserves			
Issued capital	26	**1,962**	1,936
Reserves		**197,304**	178,744
Equity attributable to owners of the Company		**199,266**	180,680
Non-controlling interests		**(280)**	(349)
Total equity		**198,986**	180,331

The consolidated financial statements on pages 62 to 119 were approved and authorised for issue by the board of directors on 31 March 2017 and are signed on its behalf by:

Mr. Liang Ronald
DIRECTOR

Mr. Fu Chin Shing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000 (Note a)	Share option reserve HK$'000	Other reserve HK$'000 (Note c)	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$000
At 1 January 2015	1,800	83,682	3,331	1,412	(47,070)	6,786	80,598	130,539	(350)	130,189
Profit (loss) for the year	–	–	–	–	–	–	27,666	27,666	(577)	27,089
Exchange differences arising on translation	–	–	–	–	–	(2,644)	–	(2,644)	(15)	(2,659)
Total comprehensive income (expense) for the year	–	–	–	–	–	(2,644)	27,666	25,022	(592)	24,430
Transfer to statutory reserve	–	–	1,082	–	–	–	(1,082)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	2,225	–	–	–	2,225	–	2,225
Exercise of share options	46	4,799	–	(1,031)	–	–	–	3,814	–	3,814
Forfeiture of share options	–	–	–	(183)	–	–	183	–	–	–
Consideration Shares issued for acquisition of Cfu Come (Note b)	90	18,990	–	–	–	–	–	19,080	593	19,673
At 31 December 2015	1,936	107,471	4,413	2,423	(47,070)	4,142	107,365	180,680	(349)	180,331
Profit (loss) for the year	–	–	–	–	–	–	20,745	20,745	(479)	20,266
Exchange differences arising on translation	–	–	–	–	–	(6,052)	–	(6,052)	(30)	(6,082)
Reclassification adjustment upon disposal of a subsidiary	–	–	–	–	–	(497)	–	(497)	–	(497)
Total comprehensive income (expense) for the year	–	–	–	–	–	(6,549)	20,745	14,196	(509)	13,687
Transfer upon disposal of a subsidiary	–	–	(2,165)	–	–	–	2,165	–	–	–
Recognition of equity-settled share-based payments	–	–	–	4,055	–	–	–	4,055	383	4,438
Exercise of share options	26	4,753	–	(562)	–	–	–	4,217	–	4,217
Forfeiture of share options	–	–	–	(59)	–	–	59	–	–	–
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	195	195
Dividend paid	–	–	–	–	–	–	(3,882)	(3,882)	–	(3,882)
At 31 December 2016	1,962	112,224	2,248	5,857	(47,070)	(2,407)	126,452	199,266	(280)	198,986

Note:

(a) The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries in the People's Republic of China (the "PRC") in accordance with the relevant laws and regulations of the PRC. Appropriation to such reserve is made out of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries while the amount and allocation basis is decided by their respective boards of directors annually. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.

(b) On 11 November 2015, the Company acquired 80.5% of the issued share capital of Cfu Come Limited ("Cfu Come"), which was satisfied in full by the allotment and issue of 9,000,000 shares of the Company ("Consideration Shares"). The fair value of the consideration determined using the published price available at the date of the acquisition was amounted to HK$19,080,000. After the acquisition, Cfu Come became a non-wholly owned subsidiary of the Company (Note 32).

(c) The balance mainly represents a HK$53,519,000 debit reserve resulting from the Share Swap pursuant to the group reorganisation (details refer to note 29 to the consolidated financial statements in the annual report for the year ended 31 December 2013) and a HK$5,210,000 credit reserve resulting from recognition of equity-settled share-based payments to Mr. Wang Jun You ("Mr. Wang") (details refer to note d of the consolidated statement of changes in equity in the consolidated financial statements in the annual report for the year ended 31 December 2013).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Operating activities		
Profit before taxation	**26,322**	34,920
Adjustments for:		
Depreciation of property, plant and equipment	**7,408**	6,898
Loss on disposal/written off of property, plant and equipment	**145**	39
Written off of bad debts	**449**	–
Provision (reversal) of allowance for doubtful debts	**2,502**	(1,549)
Interest expense and finance lease charges	**32**	99
Amortisation of intangible assets	**293**	310
Loss on disposal of a subsidiary	**867**	–
Loss (gain) from changes in fair value of held for trading investments	**121**	(103)
Interest income	**(298)**	(607)
Recognition of equity-settled share-based payments	**4,438**	2,225
Operating cash flows before movements in working capital	**42,279**	42,232
Decrease in rental and utility deposits	**203**	65
Increase in amounts due from customers for contract work	**(4,529)**	(13,921)
Decrease in progress billings receivable from contract customers	**156**	1,206
Increase in prepayments and other receivables	**(917)**	(696)
Increase (decrease) in trade payables	**516**	(1,892)
Increase (decrease) in accruals and other payables	**17,800**	(10,821)
Decrease in amounts due to customers for contract work	**(20,855)**	(9,183)
Cash generated from operations	**34,653**	6,990
Interest and finance lease charges paid	**(32)**	(99)
Income taxes paid	**(6,427)**	(8,289)
Net cash from (used in) operating activities	**28,194**	(1,398)
Investing activities		
Purchases of property, plant and equipment	**(2,186)**	(2,000)
Net cash outflow on disposal of a subsidiary (Note 33)	**(1,936)**	–
Purchase of intangible assets	**(77)**	–
Acquisition of Cfu Come (Note 32)	**–**	2,896
Capital contribution from non-controlling interest	**195**	–
Interest received	**298**	607
Withdrawal of pledge bank deposit	**2,546**	–
Net cash (used in) from investing activities	**(1,160)**	1,503

	2016 HK$'000	2015 HK$'000
Financing activities		
Dividend paid	**(3,882)**	–
Repayment of obligations under finance leases	**(370)**	(346)
Repayment of bank borrowing	**–**	(4,000)
New bank borrowing raised	**–**	4,000
Proceeds from exercise of share options	**4,217**	3,814
Net cash (used in) from financing activities	**(35)**	3,468
Net increase in cash and cash equivalents	**26,999**	3,573
Cash and cash equivalents at the beginning of the year	**58,116**	55,533
Effect of foreign exchange rate changes	**(2,011)**	(990)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**83,104**	58,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company was incorporated on 13 May 2013 in the Cayman Islands under the Companies Law, Chapter 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time and its shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, respectively. The directors of the Company consider the immediate holding company and ultimate holding company of the Group is Rainbow Path International Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"), and the ultimate controlling party is Mr. Liang Ronald ("Mr. Liang").

The Company is an investment holding company and its subsidiaries are mainly engaged in the provision of comprehensive architectural service. Particulars of the subsidiaries are set out in note 34.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current year and prior year and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKFRS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 *Financial Instruments*

HKFRS9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedger accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 *Financial Instruments* (Continued)

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligation, principal versus agent considerations, as well as licencing application guidance.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

The directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 11, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 *Leases* (Continued)

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$47,361,000 (2015: HK$26,485,000) as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except for the impact of HKFRS 9, HKFRS 15 and HKFRS 16, the directors of the Company anticipate the application of other amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are within the scope of HKAS 17 "*Leases*", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and related taxes.

Where the outcome of a contract of comprehensive architectural service can be estimated reliably, revenue from a fixed price contract of comprehensive architectural service is recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims, and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract of comprehensive architectural service cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Service income is recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts of comprehensive architectural service

Where the outcome of a contract of comprehensive architectural service can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract of comprehensive architectural service cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as deposits from customers. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under progress billings receivable from contract customers.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 35.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including progress billings receivable from contract customers, other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Financial assets are assessed for impairment individually.

Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of progress billings receivable from contract customers, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a progress billings receivable from contract customers is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade payables and other payables are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at costs less accumulated impairment losses. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors and employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments granted at the grant date. Details regarding the determination of fair value of equity-settled share-based transactions are set out in note 31.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Retirement benefit costs

Payments to the Mandatory Provident Fund Schemes and state-managed retirement benefit schemes, which are defined contribution retirement benefit plans, are recognised as an expense when employees have rendered services entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Revenue recognition on contract works

Management estimates the amount of foreseeable losses or attributable profits of contract works including architecture, landscape architecture, town planning, interior design and heritage conservation services ("Comprehensive architectural services") based on the latest available budgets of the contracts prepared by project teams with reference to the overall performance of each contract works and management's best estimates and judgments.

Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement. Notwithstanding that management reviews and revises the estimates of contract costs for the contract of comprehensive architectural service as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Impairment of progress billings receivable from contract customers

The allowance for bad and doubtful receivable from contract customers is estimated based on the evaluation of collectability and aging analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 December 2016, the carrying amount of progress billings receivable from contract customers is approximately HK$100,815,000 (2015: HK$105,523,000), net of allowance for doubtful debts of approximately HK$2,766,000 (2015: HK$1,328,000).

Estimated impairment of goodwill and intangible assets of Cfu Come

Determining whether goodwill and intangible assets resulted from the acquisition of Cfu Come are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from each of the cash-generating unit and a suitable discount rate in order to calculate the present value. It involves the application of subjective judgement about future business performance. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the aggregate carrying amount of goodwill and intangible assets recognised on Cfu Come is approximately HK$16,908,000 (2015: HK$16,831,000). Details of impairment testing of goodwill are set out in note 15.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the contract revenue for comprehensive architectural service recognised during the year.

The Group has only one single operating segment of provision of comprehensive architectural service. The Group's chief operating decision maker (the Chief Executive Officer of the Company) regularly reviews the consolidated results of the Group as a whole for the purposes of resource allocation and assessment of performance.

The Group considers segment revenue and segment results as revenue from external customers and profit for the year before considering the effect of intangible asset recognised and fair value adjustments arising from acquisition of LWK Architecture (as defined in note 11) and the related tax effect ("LWK Architecture Fair Value Adjustments"). No segment information on assets and liabilities is presented as such information is not reported to the Group's chief operating decision maker.

	2016 HK$'000	2015 HK$'000
Segment and consolidated revenue	**358,944**	354,799
Segment result	**20,266**	30,527
Reconciliation		
LWK Architecture Fair Value Adjustments	**–**	(3,438)
Consolidated profit for the year	**20,266**	27,089

Revenue from Major Services

The following is an analysis of the Group's revenue from its major services:

	2016 HK$'000	2015 HK$'000
Architecture	**310,245**	313,901
Landscape architecture, town planning, interior design and heritage conservation	**48,699**	40,898
	358,944	354,799

5. REVENUE AND SEGMENT INFORMATION (Continued)

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.

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Place of domicile of group entities:				
Hong Kong	**149,207**	136,014	**26,730**	29,115
PRC	**143,920**	149,917	**11,483**	16,457
Others	**1,277**	–	**1,074**	895
Foreign location/countries (Note):				
PRC	**62,346**	66,926	**–**	–
Others	**2,194**	1,942	**–**	–
	358,944	354,799	**39,287**	46,467

Note: The amounts represent revenue generated from a group entity where its geographical location of projects are different from its place of domicile.

Information About Major Customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2016	2015
	HK$'000	HK$'000
Customer A	**37,041**	N/A[1]

[1] There is no revenue from a customer which contribute over 10% of the total revenue of the Group for the year ended 31 December 2015.

6. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Interest income on bank deposits	**298**	607
Sundry income	**–**	71
	298	678

7. OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Loss on disposal of a subsidiary	**(867)**	–
Loss on disposal/written off of property, plant and equipment	**(145)**	(39)
(Provision) reversal of allowance for doubtful debts	**(2,502)**	1,549
Written off of bad debts	**(449)**	–
Net foreign exchange loss	**(1,960)**	(1,895)
(Loss) gain from changes in fair value of held for trading investments	**(121)**	103
	(6,044)	(282)

8. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest expense on:		
Bank overdraft and revolving loan	**3**	46
Obligations under finance leases	**29**	53
	32	99

9. PROFIT BEFORE TAXATION

	2016 **HK$'000**	2015 HK$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration (including remuneration for non-audit services)	**1,378**	1,868
Depreciation of property, plant and equipment	**7,408**	6,898
Amortisation of intangible assets (Note 1)	**293**	310
Operating lease payments (Note 2)	**24,588**	23,048
Staff costs		
– Salaries, allowances and other benefits	**215,629**	213,065
– Operating lease payments	**816**	784
– Contributions to retirement benefit schemes	**6,741**	7,359
– Equity-settled share-based payments	**4,438**	2,225
Total staff costs (including director's emoluments)	**227,624**	223,433

Notes:

(1) Included in cost of services.

(2) For the year ended 31 December 2016, the amount includes the operating lease payments for staff quarters amounting to HK$816,000 (2015: HK$784,000), which are included in the total staff costs above.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the directors and chief executive by the Group disclosed pursuant to the applicable Listing Rules and Companies Ordinance are as follows:

	Fees	Other emoluments Salaries and other benefits	 Bonus *(Note 4)*	 Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2016					
Executive directors (Note 1)					
Mr. Liang	**–**	**11,974**	**4,816**	**96**	**16,886**
Mr. Fu Chin Shing ("Mr. Fu") *(Note 2)*	**–**	**7,267**	**2,281**	**84**	**9,632**
Mr. Wang	**–**	**4,845**	**1,622**	**58**	**6,525**
Mr. He Xiao	**–**	**2,606**	**140**	**19**	**2,765**
Mr. Lo Kin Nang	**–**	**2,425**	**161**	**18**	**2,604**
Mr. Ng Kwok Fai	**–**	**2,425**	**161**	**18**	**2,604**
	–	**31,542**	**9,181**	**293**	**41,016**
Independent non-executive directors (Note 3)					
Mr. Lo Wai Hung	**–**	**168**	**–**	**–**	**168**
Mr. Wang Julius	**–**	**168**	**–**	**–**	**168**
Mr. Yu Chi Hang (alias, Yue Chi Hang)	**–**	**168**	**–**	**–**	**168**
	–	**504**	**–**	**–**	**504**
2015					
Executive directors (Note 1)					
Mr. Liang	–	9,765	1,464	96	11,325
Mr. Mr. Fu *(Note 2)*	–	6,077	1,759	84	7,920
Mr. Wang	–	5,933	–	49	5,982
Mr. He Xiao	–	2,497	–	18	2,515
Mr. Lo Kin Nang	–	2,398	90	18	2,506
Mr. Ng Kwok Fai	–	2,398	90	18	2,506
	–	29,068	3,403	283	32,754
Independent non-executive directors (Note 3)					
Mr. Lo Wai Hung	–	150	–	–	150
Mr. Wang Julius	–	150	–	–	150
Mr. Yu Chi Hang (alias, Yue Chi Hang)	–	150	–	–	150
	–	450	–	–	450

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Notes:

(1) The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(2) Mr. Fu is the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

(3) The independent non-executive director's emoluments shown above were mainly for their services as directors of the Company.

(4) The performance related incentive payment is defined by reference to the performance of the Group for the years ended 31 December 2016 and 2015.

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company has waived any remuneration during the years ended 31 December 2016 and 2015.

(b) Employees' emoluments

The five highest paid individuals of the Group for the years ended 31 December 2016 and 2015 were all directors (including the Chief Executive Officer) of the Company and details of their emoluments are included above.

11. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	**2,397**	4,657
PRC Enterprise Income Tax ("EIT")	**5,072**	5,032
Under(over)provision of Hong Kong Profits Tax in prior years	**324**	(1,225)
	7,793	8,464
Deferred tax (Note 18):		
Current year	**(1,120)**	(633)
Attributable to change in tax rate	**(617)**	–
	(1,737)	(633)
	6,056	7,831

11. INCOME TAX EXPENSE (Continued)

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

According to the State Council Circular on Transitional Policy of Enterprise Income Tax (Guo Fa [2007] No. 39), the income tax rate applicable to 梁黃顧設計顧問（深圳）有限公司 ("LWK Consultancy"), a wholly owned subsidiary of the Company, is 25% for both years.

For the year ended 31 December 2015, the income tax rate applicable to 梁黃顧建築設計（深圳）有限公司 ("LWK Architecture"), a non-wholly owned subsidiary of the Company, was 25%. During the year ended 31 December 2016, LWK Architecture satisfied the requirements of relevant local tax bureau authorities as a qualified enterprise in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and accordingly, entitled to have a preferential EIT rate of 15%.

Details of deferred taxation are set out in note 18.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Profit before taxation	26,322	34,920
Tax at 16.5%	4,343	5,762
Tax effect of expenses not deductible for tax purpose	1,162	866
Tax effect of income not taxable for tax purpose	(104)	(80)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(399)	1,043
Effect of different tax rates of profits generated in the PRC	757	836
Effect of change in applicable tax rate	(617)	–
Tax effect of tax losses not recognised	574	261
Under(over)provision in prior years	324	(1,225)
Others	16	368
Income tax expense	6,056	7,831

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2016 HK$'000	2015 HK$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**20,745**	27,666
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**194,094,915**	181,396,014
Effect of dilutive potential ordinary shares in respect of share options outstanding	**3,870,150**	6,492,423
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**197,965,065**	187,888,437

The computation of diluted earnings per share does not assume the exercise of the Company's share options granted in 2015 and 2016 under the Share Option Scheme because the exercise price of those options was higher than the average market prices of shares for both years.

13. DIVIDEND

	2016 HK$'000	2015 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2015 final dividend of HK2.0 cents (2014: Nil) per share	**3,882**	–

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of HK3.0 cents (2015: final dividend in respect of the year ended 31 December 2015 of HK2.0 cents) per ordinary share, in an aggregate amount of HK$5,887,000 (2015: HK$3,872,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 January 2015	12,768	31,921	1,610	46,299
Acquisition of Cfu Come	–	58	–	58
Additions	286	1,714	–	2,000
Disposals/written off	–	(339)	–	(339)
Exchange realignment	(162)	(707)	(12)	(881)
At 31 December 2015	12,892	32,647	1,598	47,137
Additions	–	1,244	942	2,186
Disposals/written off	–	(2,436)	(261)	(2,697)
Disposal of a subsidiary	–	–	(386)	(386)
Exchange realignment	(290)	(998)	(5)	(1,293)
At 31 December 2016	12,602	30,457	1,888	44,947
ACCUMULATED DEPRECIATION				
At 1 January 2015	3,733	17,694	1,610	23,037
Charge for the year	2,502	4,396	–	6,898
Eliminated on disposals/written off	–	(300)	–	(300)
Exchange realignment	(48)	(397)	(12)	(457)
At 31 December 2015	6,187	21,393	1,598	29,178
Charge for the year	2,231	5,176	1	7,408
Eliminated on disposals/written off	–	(2,291)	(261)	(2,552)
Exchange realignment	(126)	(617)	(5)	(748)
At 31 December 2016	8,292	23,661	1,333	33,286
CARRYING VALUES				
At 31 December 2016	4,310	6,796	555	11,661
At 31 December 2015	6,705	11,254	–	17,959

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, after taking into account of their estimated residual value, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Included in property, plant and equipment is office equipment with carrying value of HK$313,000 (2015: HK$654,000) which is held under finance leases.

15. GOODWILL

	LWK Architecture HK$'000	Cfu Come HK$'000	Total HK$'000
COST			
At 1 January 2015	4,779	–	4,779
Acquisition of Cfu Come	–	16,631	16,631
Exchange realignment	(214)	–	(214)
At 31 December 2015	4,565	16,631	21,196
Exchange realignment	(299)	–	(299)
At 31 December 2016	4,266	16,631	20,897

15. GOODWILL (Continued)

For the purpose of impairment testing, goodwill has been allocated to two cash generating units, represented by LWK Architecture (the "LWK Architecture CGU") and Cfu Come (the "Cfu Come CGU").

LWK Architecture

Goodwill arose from the acquisition of 75% equity interest in LWK Architecture during the year ended 31 December 2011 which is engaged in provision of comprehensive architectural service in the PRC.

The management determines that there is no impairment on the LWK Architecture CGU as at 31 December 2016 and 2015. The recoverable amount of LWK Architecture CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 19.13% as at 31 December 2016 and 2015 respectively. LWK Architecture's revenue growth rate during the 5-year period is not more than 3% which is based on the management's estimate on LWK Architecture's human resources capacity and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on LWK Architecture's past performance and management's expectations for the market development. The management determines that any reasonably possible change in any of these assumptions would not cause the carrying amount of the goodwill exceeds its recoverable amount.

Cfu Come

Goodwill arose from the acquisition of 80.5% equity interest in Cfu Come during the year ended 31 December 2015 which is engaged in development and operation of a mobile device application which is for download in the application stores of two major mobile operating systems in the market. The application provides a platform for corporate, household customers and qualified handymen for repair services and interior renovation. Cfu Come was acquired so as to extend the interior design sector of the Group.

The management determines that there is no impairment on the Cfu Come CGU as at 31 December 2016 and 2015. The recoverable amount of Cfu Come CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period. A discount rate of 35% has been adopted as at 31 December 2016 and 2015. Cfu Come's long term sustainable growth rate of 3% is assumed and the management believes such growth rate does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on management's expectations for the market development to penetrate the household market and is focus on execution. The management determines that any reasonably possible change in any of these assumptions would not cause the carrying amount of the goodwill exceeds its recoverable amount.

16. INTANGIBLE ASSETS

	License HK$'000	Club membership HK$'000	Cfu Come application HK$'000	Total HK$'000
COST				
At 1 January 2015	4,761	569	–	5,330
Acquisition of Cfu Come	–	–	200	200
Exchange realignment	(213)	–	–	(213)
At 31 December 2015	4,548	569	200	5,317
Additions	–	–	77	77
Exchange realignment	(298)	–	–	(298)
At 31 December 2016	4,250	569	277	5,096
AMORTISATION				
At 1 January 2015	3,586	–	–	3,586
Charge for the year	310	–	–	310
Exchange realignment	(171)	–	–	(171)
At 31 December 2015	3,725	–	–	3,725
Charge for the year	293	–	–	293
Exchange realignment	(258)	–	–	(258)
At 31 December 2016	3,760	–	–	3,760
CARRYING VALUES				
At 31 December 2016	490	569	277	1,336
At 31 December 2015	823	569	200	1,592

The license is amortised over its remaining license period of five years expiring in September 2018. Club membership and Cfu Come application having an indefinite useful life are stated at cost less accumulated impairment losses.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepayments	**403**	399
Rental and utility deposits	**5,471**	5,765
Advances to staff	**761**	197
Other receivables	**4,186**	2,450
	10,821	8,811
Analysed for reporting purpose as:		
Non-current assets	**5,393**	5,720
Current assets	**5,428**	3,091
	10,821	8,811

18. DEFERRED TAXATION

The following are the major components of deferred tax (liabilities) assets recognised and movements therein during current and prior years:

	Accelerated tax depreciation HK$'000	Amounts due from/to customers for contract work HK$'000	Intangible assets acquired in business combination HK$'000	Fair value adjustments on contracts of comprehensive architectural service HK$'000	Share option vested but not yet exercised HK$'000	Others HK$'000	Total HK$'000
At 1 January 2015	(262)	(1,460)	(294)	(1,082)	147	–	(2,951)
Acquisition of Cfu Come	–	–	(33)	–	–	–	(33)
Credit (charge) to profit or loss	163	(921)	77	1,071	243	–	633
Exchange realignment	–	–	11	11	–	–	22
At 31 December 2015	(99)	(2,381)	(239)	–	390	–	(2,329)
Credit (charge) to profit or loss	276	(135)	30	–	536	413	1,120
Attribution to change in tax rate	–	535	82	–	–	–	617
Exchange realignment	–	–	7	–	–	–	7
At 31 December 2016	177	(1,981)	(120)	–	926	413	(585)

18. DEFERRED TAXATION (Continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 HK$'000	2015 HK$'000
Deferred tax assets	**1,496**	390
Deferred tax liabilities	**(2,081)**	(2,719)
	(585)	(2,329)

No deferred tax asset has been recognised in respect of the unutilised tax losses of HK$6,825,000 (2015: HK$3,346,000) and allowance for doubtful debts of HK$264,000 (2015: HK$1,328,000) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

Under the Law of the PRC on EIT Implementation Regulation, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2016 and 2015, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries approximately amounting to HK$42,428,000 (2015: HK$35,224,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. HELD FOR TRADING INVESTMENTS

	2016 HK$'000	2015 HK$'000
Unlisted trading fund in the PRC	**–**	757

20. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2016 HK$'000	2015 HK$'000
Contracts in progress at the end of the reporting period:		
Costs incurred to date plus recognised profits less recognised losses	**1,541,883**	1,477,157
Less: progress billings	**(1,488,276)**	(1,445,894)
	53,607	31,263
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**143,001**	146,164
Amounts due to customers for contract work	**(89,394)**	(114,901)
	53,607	31,263

As at 31 December 2016, advances and deposits received from customers for contract work amounted to HK$36,647,000 (2015: HK$31,974,000) and are included in accruals and other payables.

21. PROGRESS BILLINGS RECEIVABLE FROM CONTRACT CUSTOMERS

	2016 HK$'000	2015 HK$'000
Gross amount	**103,581**	106,851
Less: Allowance for doubtful debts	**(2,766)**	(1,328)
	100,815	105,523

The movements in the allowance for doubtful debts were as follows:

	2016 HK$'000	2015 HK$'000
At beginning of the year	**1,328**	3,029
Provided (reversed) during the year	**2,502**	(1,549)
Written off during the year	**(1,047)**	(76)
Exchange realignment	**(17)**	(76)
At end of the year	**2,766**	1,328

21. PROGRESS BILLINGS RECEIVABLE FROM CONTRACT CUSTOMERS (Continued)

In order to manage the credit risks associated with progress billings receivable effectively, credit limits of customers are evaluated periodically. Before accepting any new customer, the Group conducts research on the creditworthiness of the new customer and assesses the potential customer's credit quality. Progress billings receivable that are neither past due nor impaired are of good credit quality according to the Group's evaluation.

As at 31 December 2016, included in the allowance for doubtful debts were individually impaired receivables of HK$2,766,000 (2015: HK$1,328,000) which had been long outstanding. The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers. The credit period granted to individual customer is within 90 days in general and up to 180 days, which the Group considered on a case-by-case basis, depending on the credibility and reputation of the customers and as stipulated in the project contract. The following is an aged analysis of progress billings receivable, presented based on the invoice date at the end of the reporting period, and net of allowance recognised:

	2016 **HK$'000**	2015 HK$'000
Within 30 days	**22,739**	27,577
Over 30 days and within 90 days	**18,613**	27,386
Over 90 days and within 180 days	**11,623**	6,671
Over 180 days	**47,840**	43,889
	100,815	105,523

As at 31 December 2016, included in the Group's progress billings receivable balance are debtors with aggregate carrying amount of approximately HK$69,286,000 (2015: HK$55,435,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts.

Aging of progress billings receivable at the end of the reporting period which are past due but not impaired:

	2016 **HK$'000**	2015 HK$'000
Past due within 30 days	**9,961**	6,331
Past due over 30 days and within 90 days	**9,638**	18,598
Past due over 90 days and within 180 days	**5,325**	4,720
Past due over 180 days	**44,362**	25,786
	69,286	55,435

Included in progress billing receivable which are past due over 180 days with carrying amount of HK$44,362,000 (2015: HK$25,786,000), the Group has received HK$29,667,000 (2015: HK$15,528,000) from customers as security deposit for the contracts works over these progress billings receivable, which are included in accruals and other payables.

22. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

As at 31 December 2016, bank balances carry interest at market rates which range from 0.01% to 5.55% (2015: 0.01% to 3.48%) per annum.

As at 31 December 2015, pledged bank deposits carry interest at floating market rate of 0.01% per annum, are used to secure general banking facilities granted to the Group and are therefore classified as current assets.

23. TRADE PAYABLES

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

	2016 **HK$'000**	2015 HK$'000
Within 30 days	**2,217**	1,950
Over 30 days and within 90 days	**1,077**	460
Over 90 days	**187**	1,157
	3,481	3,567

The credit period on trade payables is generally 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

24. ACCRUALS AND OTHER PAYABLES

	2016 **HK$'000**	2015 HK$'000
Accrued payroll and bonuses	**27,459**	19,202
Deposits from customers	**36,647**	31,974
PRC other tax payables	**765**	853
Accrued expenses and other payables	**7,201**	3,225
	72,072	55,254

25. OBLIGATIONS UNDER FINANCE LEASES

The Group has leased certain of its office equipment under finance leases. The lease term is 5 years (2015: 5 years).

For the year ended 31 December 2016, interest rates underlying all obligations under finance leases are fixed at respective contract dates at 5.84% (2015: 5.84%) per annum.

	Minium lease payments at		Present value of minimum lease payments at	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**313**	399	**306**	370
In more than one year but not more than two years	**–**	313	**–**	306
	313	712	**306**	676
Less: Future finance charges	**(7)**	(36)	**–**	–
Present value of lease obligations	**306**	676	**306**	676
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(306)**	(370)
Amount due for settlement after 12 months			**–**	306

The rights to the leased assets are reverted to the lessors in the event of default of the lease obligations by the Group.

26. ISSUED CAPITAL

Ordinary shares of HK$0.01 each	Number of shares	Share capital HK$'000
Authorised		
At 1 January 2015, 31 December 2015 and 2016	1,000,000,000	10,000
Issued and paid up		
At 1 January 2015	180,000,000	1,800
Consideration Shares issued (Note)	9,000,000	90
Issue of shares upon exercise of share options	4,595,000	46
At 31 December 2015	193,595,000	1,936
Issue of shares upon exercise of share options	2,622,000	26
At 31 December 2016	196,217,000	1,962

Note: On 11 November 2015, the Company issued and allotted 9,000,000 Consideration Shares to the vendors for the acquisition of 80.5% of issued share capital of Cfu Come.

All issued shares rank pari passu in all respects with each other.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed shares during the years ended 31 December 2016 and 2015.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had contracted for the following future minimum lease payments:

	2016 HK$'000	2015 HK$'000
Within one year	**20,026**	20,341
In the second to fifth years inclusive	**27,335**	6,144
Total	**47,361**	26,485

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Leases are negotiated for terms ranging from 2 to 3 years at fixed rentals.

28. PLEDGE OF ASSETS

As at 31 December 2015, the Group has pledged short-term bank deposits with an aggregate carrying amount of HK$2,546,000 to banks to secure general banking facilities granted to the Group, such pledged deposits has been released during the year ended 31 December 2016.

29. RETIREMENT BENEFIT SCHEMES

For the operations in Hong Kong, the Group participates in Mandatory Provident Fund Schemes for all qualifying employees in Hong Kong. The Group and the employees shall make contributions based on a percentage of the employee's basic salary with a cap of HK$1,500 per month and charged to profit or loss as they become payable in accordance with the rules of Mandatory Provident Fund Schemes.

For the operations in the PRC, the employees of the Group are members of state-managed retirement benefit schemes operated by the PRC government. The relevant subsidiaries are required to contribute a specific percentage of the payroll costs to the retirement benefit schemes.

The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. During the year, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represents contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes.

For the year ended 31 December 2016, the retirement benefit scheme contributions made by the Group approximately amounted to HK$6,741,000 (2015: HK$7,359,000).

30. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management are disclosed in note 10.

31. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

The Company's Share Option Scheme was adopted pursuant to a resolution passed on 5 December 2013 for the primary purpose of providing incentives or rewards to directors and eligible employees for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group, and will expire on 5 December 2023. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or their respective associates in excess of 0.1% of the Company's share capital or with an aggregate value in excess of HK$5 million based on the closing price of the shares at the date of each grant must be approved in advance by the Company's shareholders. Options granted must be taken up within one month of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share Option Scheme (Continued)

Details of specific categories of options granted under Share Option Scheme are as follows:

Grant	Type	Date of grant	Number of options granted	Vesting period (Note a)	Exercise period (Note b)	Exercise price	Fair value at grant date
2015 Grant	Executive directors	9 September 2015	6,300,000	9 September 2015 to 8 December 2016	9 September 2016 to 8 September 2017	HK$2.25	HK$0.47
2015 Grant	Other employees	9 September 2015	2,500,000	9 September 2015 to 8 December 2016	9 September 2016 to 8 September 2017	HK$2.25	HK$0.48
2016 Grant	Consultants	28 January 2016	3,600,000	28 January 2016 to 30 September 2016	1 October 2016 to 30 September 2018	HK$2.80	HK$0.18

Notes:

(a) For 50% of the total number of options granted under the 2015 Grant, the vesting period is from 9 September 2015 to 8 September 2016. For the remaining 50% options, the vesting period is from 9 September 2015 to 8 December 2016.

(b) All options granted under the 2015 Grant are exercisable as to 50% of the total number of options on 9 September 2016, and as to the remaining 50% on 9 December 2016.

Pre-IPO Share Option Scheme

The Company's Pre-IPO Share Option Scheme was adopted pursuant to a resolution passed on 5 December 2013 for the primary purpose of recognising and motivating the contributions that the directors, members of senior management and other employees have made or may make to the Group, and expired on 20 December 2013.

Details of specific categories of options granted under Pre-IPO Share Option Scheme are as follows:

Grant	Type	Date of grant	Number of options granted	Vesting period	Exercise period	Exercise price	Fair value at grant date
Pre-IPO Grant	Executive directors	6 December 2013	4,800,000	6 December 2013 to 19 December 2016	20 December 2016 to 20 December 2017	HK$0.83	HK$0.27
Pre-IPO Grant	Other employees	6 December 2013	7,725,000	6 December 2013 to 19 December 2015	20 December 2015 to 20 December 2016	HK$0.83	HK$0.22

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's share options held by employees and directors during the years ended 31 December 2016. On 28 January 2016, 3,600,000 option were granted under the Share Option Scheme and the aggregate estimated fair value of the options granted on that date is HK$666,000.

	Outstanding at 1.1.2016	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31.12.2016
Pre-IPO Grant	**6,425,000**	**–**	**(1,572,000)**	**(53,000)**	**–**	**4,800,000**
2015 Grant	**8,800,000**	**–**	**(50,000)**	**(100,000)**	**–**	**8,650,000**
2016 Grant	**–**	**3,600,000**	**(1,000,000)**	**–**	**–**	**2,600,000**
	15,225,000	**3,600,000**	**(2,622,000)**	**(153,000)**	**–**	**16,050,000**
Exercisable at the end of the year						**16,050,000**
Weighted average exercise price	**HK$1.65**	**HK$2.80**	**HK$1.61**	**HK$1.76**	**–**	**HK$1.91**

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2015. On 9 September 2015, 8,800,000 options were granted under the Share Option Scheme and the aggregate estimated fair value of the options granted on that date is HK$4,151,000.

	Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31.12.2015
Pre-IPO Grant	12,525,000	–	(4,595,000)	(1,505,000)	–	6,425,000
2015 Grant	–	8,800,000	–	–	–	8,800,000
	12,525,000	8,800,000	(4,595,000)	(1,505,000)	–	15,225,000
Exercisable at the end of the year						1,625,000
Weighted average exercise price	HK$0.83	HK$2.25	HK$0.83	HK$0.83	–	HK$1.65

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Fair values at grant date of Pre-IPO Grant were calculated using The Black-Scholes option pricing model while the fair value of the 2015 Grant and 2016 Grant were calculated using Binomial option pricing model. The major inputs into the model were as follows:

	Pre-IPO Grant		2015 Grant		2016 Grant
	Executive directors	Other employees	Executive directors	Other employees	Consultants
Exercise price	HK$0.83	HK$0.83	HK$2.25	HK$2.25	HK$2.80
Expected volatility	40.71%	39.24%	37.52%	37.52%	38.99%
Expected life	4.0 years	3.0 years	2.0 years	2.0 years	2.7 years
Risk-free rate	0.69%	0.39%	0.44%	0.44%	1.03%
Expected Dividend Yield	–	–	–	–	1.12%

Expected volatility was determined by using the historical volatility of the Company's and the comparable companies' share prices over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expense of HK$4,438,000 (2015: HK$2,225,000) for the year ended 31 December 2016 in relation to share options granted.

32. ACQUISITION OF CFU COME

On 11 November 2015, the Group acquired 80.5% of the issued share capital of Cfu Come. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$16,631,000. Cfu Come is engaged in the development and operation of application for mobile device equipment. Cfu Come was acquired so as to extend the interior design sector of the Group.

The consideration for the acquisition was satisfied in full by the allotment and issue of 9,000,000 of the Company's ordinary shares with par value of HK$0.01 each. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK$19,080,000.

Acquisition-related costs amounting to HK$173,523 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

32. ACQUISITION OF CFU COME (Continued)

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	58
Intangible assets	200
Trade and other receivables	2
Bank balances and cash	2,896
Accruals and other payables	(81)
Deferred tax liabilities	(33)
	3,042

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	19,080
Plus: non-controlling interests (19.5% in Cfu Come)	593
Less: net assets acquired	(3,042)
Goodwill arising on acquisition	16,631

Goodwill arose from the acquisition of Cfu Come because the cost of the combination effectively included amounts in relation to the benefit of expected synergies effect bring to the interior design sector of the Group, future revenue growth and future market development of Cfu Come. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria of identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The Group has an net cash inflow of HK$2,896,000 from the acquisition of Cfu Come for the year ended 31 December 2015.

Included in the profit for the year is loss of HK$435,000 attributable to the additional business generated by Cfu Come. Revenue for the year includes HK$30,000 generated from Cfu Come.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been HK$354,808,000, and profit for the year would have been HK$26,631,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

33. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2016, LWK Architecture was entitled to a preferential EIT tax rate of 15%. In addition, LWK Architecture holds a Grade A Qualification under Architectural Engineering Design Qualification of Architectural Industry in the PRC. Accordingly, the Group determined that LWK Architecture would be the principal contracted party of the PRC architecture projects in the future and LWK Consultancy would no longer be a contract party for the Group's architecture projects and lose its functionality. On 29 July 2016, the Group completed the disposal of 100% interest in LWK Consultancy for a consideration of HK$1,238,000.

	HK$'000
The net assets disposed of in the transactions were as follows:	
Property, plant and equipment	386
Held for trading investment	622
Debtors, deposit and prepayment	349
Bank balance and cash	3,174
Trade payables	(1,469)
Creditors and other payables	(460)
Net assets disposed of	2,602
Loss on disposal of a subsidiary:	
Consideration satisfied by cash	1,238
Reclassification adjustment on exchange reserve upon disposal of a subsidiary	497
Net assets disposed of	(2,602)
Loss on disposal of a subsidiary	(867)
Net cash outflow arising on disposal:	
Cash consideration received	1,238
Bank balance and cash disposed of	(3,174)
	(1,936)

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

General information of principal subsidiaries

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Proportion of ownership interest and voting right owned by the Group		Issued and fully paid share capital/paid up registered capital	Principal activities
			2016	2015		
LWK & Partners (HK) Limited ("LWK Hong Kong")	Hong Kong 19 October 1995	Hong Kong	**100%**	100%	HK$1,000,000	Provision of comprehensive architectural service and investment holding
LWK Conservation Limited	Hong Kong 12 June 2006	Hong Kong	**100%**	100%	HK$10,000	Provision of comprehensive architectural service
LWK Consultancy	PRC 20 September 2002 (Note a)	PRC	**– (Note c)**	100%	HK$1,000,000	Provision of comprehensive architectural service
LWK Architecture	PRC 24 September 1986 (Note b)	PRC	**99%**	99%	RMB3,000,000	Provision of comprehensive architectural service
Cfu Come	Hong Kong 6 July 2015	Hong Kong	**80.5%**	80.5%	HK$3,500,000	Provision of repair and fitting out works and operation of related mobile application

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

a. Registered as a wholly foreign-owned enterprise under the law of the PRC.

b. Registered as a sino-foreign equity joint venture under the law of the PRC.

c. The entire equity interest of LWK Consultancy has been disposed during the year.

35. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The objectives of the management of the Group when managing capital are to safeguard the Group's ability as a going concern in order to provide returns for shareholders and to support future development of business through optimisation of debt and equity balances. The Group's strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained profits.

The Group reviews the capital structure periodically and manages its overall structure through payment of dividends and new share issues.

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Fair value through profit or loss		
– Held for trading investments	–	757
Loans and receivables (including cash and cash equivalents)	**188,866**	168,832
	188,866	169,589
Financial liabilities		
At amortised cost	**47,329**	38,766
Obligations under finance leases	**306**	676
	47,635	39,442

b. Financial risk management objectives and policies

Details of the Group's financial instruments are disclosed in the respective notes. The risks associated with the Group's financial instruments include market risk (interest rate risk, currency risk, other price risk) and credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate pledged bank deposits and bank balances and exposed to fair value interest rate risk in relation to its fixed-rate obligations under finance leases. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

No sensitivity analysis is presented as in the opinion of the management of the Group, a reasonable possible change in interest rate will not have a significant impact on the consolidated financial statements during both years.

Currency risk

Certain bank balances and cash, progress billings receivable from contract customers and accruals and other payables of the Group are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

The carrying amounts of the Group's bank balances and cash, progress billings receivable from contract customers and accruals and other payables denominated in RMB at the end of the reporting period which are exposed to foreign currency risk are as follows:

	2016 **HK$'000**	2015 HK$'000
Bank balances and cash	**18,951**	14,096
Progress billings receivable from contract customers	**50,245**	54,681
Accruals and other payables	**(35,469)**	(30,528)
	33,727	38,249

LWK Hong Kong, a wholly owned subsidiary of the Company, of which its functional currency is HK$, had amounts due from LWK Consultancy and LWK Architecture at 31 December 2015 which are denominated in RMB. As at 31 December 2015, the aggregate intra-group balance was approximately HK$5,329,000.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in HK$ against RMB. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including the above intra-group balances and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where HK$ weakens 5% against RMB. For a 5% strengthening of HK$ against RMB, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

	2016 **HK$'000**	2015 HK$'000
Profit for the year	**1,408**	1,819

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Other price risk

The Group is exposed to price risk through its held for trading investments. The management manages this exposure by monitoring its portfolio of investments. At year ended 31 December 2015, the Group exposed to price risk in relation to its investment in unlisted trading fund in the PRC.

Sensitivity analysis

The management considered that the exposure to price risk in relation to held for trading investments is minimal, accordingly, no sensitivity analysis is presented for both years.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual progress billings receivable from contract customers and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

As at 31 December 2016, the Group's concentration of credit risk by geographical locations of the projects is in the PRC, which accounted for approximately HK$71,793,000 (2015: HK$72,347,000) of the total progress billings receivable.

The Group has a concentration of customers. For the year ended 31 December 2016, aggregate sales to the top five customers of the Group accounted for approximately 37.2% (2015: 32.0%) of the total revenue. Amounts due from them as at 31 December 2016 amounted to approximately HK$50,327,000 (2015: HK$44,020,000), representing 49.9% (2015: 41.7%) of progress billings receivable. These major customers are mainly Hong Kong developers and PRC developers with good reputation.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

At the end of the reporting period, the Group has available unutilised bank facilities of approximately HK$35,560,000 (2015: HK$17,940,000). The banks may at any time immediately modify, withdraw, terminate, cancel, suspend or make demand for repayment of the whole or any part of the facilities or vary the terms applicable to the facilities.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk analysis

The following table analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows of financial liabilities based on the earliest date of which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate	On demand and less than 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount at 31 December
	%	HK$'000	HK$'000	HK$'000	HK$'000
2016					
Non-derivative financial liabilities					
Trade payables	**–**	**3,481**	**–**	**3,481**	**3,481**
Accruals and other payables	**–**	**43,848**	**–**	**43,848**	**43,848**
Obligations under finance leases	**5.84**	**313**	**–**	**313**	**306**
		47,642	**–**	**47,642**	**47,635**
2015					
Non-derivative financial liabilities					
Trade payables	–	3,567	–	3,567	3,567
Accruals and other payables	–	35,199	–	35,199	35,199
Obligations under finance leases	5.84	399	313	712	676
		39,165	313	39,478	39,442

c. Fair value

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

36. FINANCIAL INSTRUMENTS (Continued)

c. Fair value (Continued)

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

The held for trading investments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	2016 HK$'000	2015 HK$'000		
Held for trading investments – unlisted trading fund in the PRC	–	757	Level 2	Based on the fair value of underlying assets and liabilities which are substantially derived from Level 1 inputs

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers that carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values which have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

37. EVENT AFTER THE REPORTING PERIOD

On 24 February 2017, the Company entered into a subscription agreement with an investor in which the Company will issue, and the investor will subscribe for 79,473,780 new shares at HK$1.99 per share. In addition, the controlling shareholders have undertaken to appoint placing agent(s) to effect a placing of 22,000,000 existing ordinary shares to independent third party placees. The completion of the subscription is conditional upon relevant regulatory approvals are obtained.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current asset		
Unlisted investments in subsidiaries	**74,404**	73,599
Current assets		
Other receivables	**344**	205
Amounts due from subsidiaries	**42,833**	23,450
Bank balances	**11,783**	20,621
	54,960	44,276
Current liability		
Accruals	**110**	160
Net current assets	**54,850**	44,116
Total assets less current liability	**129,254**	117,715
Capital and reserves		
Issued capital	**1,962**	1,936
Reserves	**127,292**	115,779
	129,254	117,715

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Issued capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 January 2015	1,800	83,682	1,412	(18,989)	67,905
Profit and total comprehensive income for the year	–	–	–	24,691	24,691
Recognition of equity-settled share-based payment	–	–	2,225	–	2,225
Exercise of share options	46	4,799	(1,031)	–	3,814
Forfeiture of share options	–	–	(183)	183	–
Consideration Shares issued for acquisition of Cfu Come	90	18,990	–	–	19,080
At 31 December 2015	1,936	107,471	2,423	5,885	117,715
Profit and total comprehensive income for the year	–	–	–	7,149	7,149
Recognition of equity-settled share-based payment	–	–	4,055	–	4,055
Exercise of share options	26	4,753	(562)	–	4,217
Forfeiture of share options	–	–	(59)	59	–
Dividend paid	–	–	–	(3,882)	(3,882)
At 31 December 2016	1,962	112,224	5,857	9,211	129,254

FINANCIAL SUMMARY

	For the year ended 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
RESULTS					
Revenue	268,282	324,007	384,384	354,799	**358,944**
Profit for the year	27,228	11,172	28,291	27,089	**20,266**
Earnings per share					
Basics (HK cents)	18.8	6.6	16.0	15.3	**10.7**
Diluted (HK cents)	N/A	6.6	15.9	14.7	**10.5**

	As at 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	210,303	299,141	339,702	363,054	**373,131**
Total liabilities	(153,691)	(197,411)	(209,513)	(182,723)	**(174,145)**
	56,612	101,730	130,189	180,331	**198,986**
Equity attribute to owners of the Company	54,242	101,577	130,539	180,680	**199,266**
Non-controlling interests	2,370	153	(350)	(349)	**(280)**
	56,612	101,730	130,189	180,331	**198,986**