ANNUAL REPORT 2017

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Liang Ronald (Chairman)
Mr. Liu Gui Sheng (Co-chairman)
Mr. Fu Chin Shing (Chief Executive Officer)
Mr. Wang Jun You
Mr. Liu Yong
Mr. Ma Kwai Lam Lambert

Independent Non-Executive Directors
Mr. Yu Chi Hang
Mr. Lo Wai Hung
Ms. Su Ling

AUDIT COMMITTEE

Mr. Lo Wai Hung (Chairman of Committee)
Mr. Yu Chi Hang
Ms. Su Ling

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Liang Ronald (Chairman of Committee)
Mr. Liu Yong
Mr. Yu Chi Hang
Mr. Lo Wai Hung
Ms. Su Ling

INVESTMENT COMMITTEE
Mr. Liu Gui Sheng (Chairman of Committee)
Mr. Liang Ronald
Mr. Fu Chin Shing
Mr. Wang Yun You
Mr. Liu Yong

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

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North Tower World Finance Centre
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Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers 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

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Two Chinachem Exchange Square
338 King's Road
North Point
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HONG KONG LEGAL ADVISER

David Fong & Co., Solicitors

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139 Hennessy Road
Wanchai
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PRINCIPAL BANKERS

Hongkong and Shanghai Banking Corporation Limited

HSBC Main Building
1 Queen's Road
Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited

Standard Chartered Bank Building
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Central
Hong Kong

China Merchants Bank

Central Business Branch
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Central Business Building
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AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants
35/F
One Pacific Place
88 Queensway
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Hong Kong

STOCK CODE

1486

CORPORATE WEBSITE

www.cchengholdings.com

CHAIRMAN'S STATEMENT

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 2017.

GENERAL OVERVIEW

I am pleased to report that 2017 was another great chapter and milestone in the development of the history and business of the Group. First and foremost, the Company has been selected as a constituent stock of Morgan Stanley Capital International ("MSCI") Hong Kong Micro Cap Index. The inclusion is a tremendous recognition and encouragement to our continuous effort in the development of our business, and as a responsible member of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In April 2017, we successfully completed the issuance of new shares to 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 BD Group is now our substantial shareholder and strategic investor. Its long-established connections and leading position in the People's Republic of China (the "PRC") will become a huge advantage and asset, enabling the Group to participate in potential government and related projects, which we have not been able to gain access to previously. Together with our strategic partner BMEDI, we are establishing a Greater Bay Area Innovation Centre in Shenzhen to jointly explore projects with great potentials in the region.

2017 was a breakout year for our businesses in all areas. We have expanded our workforce by recruiting a substantial number of new talents in order to cope with our business expansion. The number of new contracts has also substantially increased in 2017. All sectors of our business recorded satisfactory growth to varying extents. The Interior Design and Commercial Design sectors as well as our PRC offices have recorded outstanding performance in particular. With the establishment of our Chongqing office, we are able to make substantial inroads into the southwest and western regions of the PRC. We believe that these western regions will out-perform other areas of the PRC in the coming five years.

To broaden our scope of services and enhance our market position, we are pleased to report that we have successfully acquired a company in the technological field, ISBIM Limited ("isBIM"), at the end of the year.

isBIM specialises in Building Information Modelling ("BIM"), and BIM is a technology enhancement that can add value to the full lifecycle of a building, as well as apply effective time and cost control to the overall concept. The process is environmentally friendly and ultimately reduces the amount of abortive work and building wastage on construction sites. Taking into consideration that this technology will be required mandatorily to deploy in all projects in Hong Kong and the PRC, we foresee a huge room for growth for the Company in BIM in the next few years.

In 2017, professionalism of the Group generated public recognition and was honoured by a number of awards. We won four awards from MIPIM – a global leader in organizing international property events. One of which was a "Special Jury Award" for the revitalization of the Blue House Cluster in Hong Kong. In addition, the same project also garnered the "Award of Excellence" (the highest honour) in the 2017 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation. This historic buildings conservation project is the first-ever from Hong Kong to be given this prestigious honour.

Towards the end of 2017, we successfully broke into the World Architecture Top 100 Companies ("WA100") ranking. All the aforementioned awards came along with the concerted effort made by the Directors of the Group. We are privileged to be in association with them.

FUTURE PROSPECTS

In the coming year, the Group will endeavor to ensure that long-term growth have investigated into the possibility of architecture and technology as a twin motor to expand our scope of services. To better serve our clients, add value to our services and increase our efficiency in all sectors, we have embarked on a new direction of smart city and/or site management concept. Our acquisition of a BIM company is an important step in that direction. Through technology, our collection of important building-related data will provide our clients with information that will allow them to make quick and informed decisions. Our new investment in isBIM will also become our new growth engine. Good growth in this area is anticipated and assured by favourable government policies.

Further growth as a Group is not only a corresponded growth in our staff population, but rather a conscious decision to use technology and data to enhance our overall efficiency and thereby achieving profitability.

With breakout growth in 2017, we are confident for another successful expansion in all sectors and subsidiaries in 2018. With our strategic partner, BMEDI in place, we expect a dynamic synergy and greater capacity to expand throughout the PRC.

Another area of interest which we will explore is housing and medical or healthcare for the ageing population in the region. We intend to establish a medical or healthcare sector in order to capture the potential growth in this area in the coming years.

The Group's dual-development initiative of "Technology + Capital" has yielded encouraging results in the year of 2017. We are determined to further expand on this initiative in 2018.

ACKNOWLEDGMENT

On behalf of all members of the Board, I would like to express our sincere gratitude to our fellow Directors for their support and contribution, and take this opportunity to welcome all the new Directors. With the support and dedication of the whole team, the Board will continue to guide the Group and ensure the expansion, growth and the sustainability of our business. Last but not least, the Board also wishes to thank our shareholders and clients for their support and faith in us, and will endeavour to bring long lasting returns to everyone involved.

Mr. Liang Ronald
Chairman

Hong Kong, 27 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2017 was a great chapter and milestone year for the Group. During the year, we have successfully introduced a new strategic investor, Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("BMEDI") as our substantial shareholder.

BMEDI is a wholly-owned subsidiary of Beijing Enterprises Group Company Limited, possessing grade A qualifications in integrated engineering design. It is a technological innovative company which provides integrated services for the entire process of engineering construction project, and is a leader in the municipal construction design and research in the PRC. We believe, together with BMEDI, the Company will be able to participate in developments and other top-grade infrastructure projects that we have not been able hitherto to bid for. Over the past few months since BMEDI became our substantial shareholder, the Group has been awarded contract sum of approximately HK$9,619,000 from BMEDI and its subsidiaries. Among these contracts, revenue of approximately HK$5,926,000 has been recognised during the year. We believe that there will be more opportunities to come with the advancing of the "Belt and Road Initiative" as well as the "Guangdong-Hong Kong-Macau Greater Bay Area" development plan.

Furthermore, investment from BMEDI has equipped the Group with sufficient resources to expand our own business. During the year, backed by the resources from BMEDI and our professional knowledge in the traditional architectural services, we further diversified our services and successfully penetrated into the market of different extensions of our business reach.

Commercial design sector becomes one of the focuses of our expansion plan, following our recent rapid growing interior design team. We have formed a new reputable and award-winning team to further strengthen the Company's in-house design capabilities. Combining with our established implementation abilities, the new team specializes in delivering one-stop services from design to implementation of large-scale mixed-use projects. Our commercial mixed use expertise adopts an integrated design approach to create a total designed experience for a wide spectrum of spatial environments, including retail, workplace, leisure,

entertainment and hospitality. With their experience in large-scale iconic projects in major cities of the PRC, our commercial design team has formed a unique competitive edge in the market and it is devoted to elevating our design portfolio to a whole new level. During the year ended 31 December 2017, this new team has brought in contract sum of HK$77,900,000 to the Group and we foresee outstanding market potential in this area of services. We expect this new team will be further expanded in the future in order to capture larger market share in this sector.

In addition to the commercial design sector being deemed a horizontal extension of our income stream, we also expanded vertically to the market of Building Information Modelling ("BIM").

The BIM technology enables the Group to co-ordinate our design and construction process by providing systematic intelligent information and analysis during the entire project development. As such, the BIM technology will be capable of enhancing cost-effectiveness and creating add-value to the customers in every project phase. We will also be able to apply effective time and cost control to the overall concept. The process is environmentally friendly and it ultimately reduces the amount of abortive work and building wastage on sites. During the year, we are excited to set out in the BIM business by acquiring a leading BIM consultancy service company ISBIM Limited ("isBIM"). isBIM facilitates the Group in technological capacities and upgrade our customers' experience on comprehensive architectural services, from concept design to project completion. We believe such capability will differentiate us from other competitors.

Our services being recognized by the public, we were honored a number of awards, including 4 awards from MIPIM, which is a global leader in organizing international property event, and the "Award of Excellence" in the 2017 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation. This conservation of historical buildings project is the first-ever from Hong Kong to garner this prestigious honour.

Comprehensive Architectural Services

The Group's comprehensive architectural services achieved a remarkable performance in 2017 and strengthen its market position as one of the leading comprehensive architectural service providers in Hong Kong and the PRC.

During the year, our comprehensive architectural business contributed revenue of HK$452,832,000, representing a year-on-year increase of 26.2%. We secured 229 new contracts and the value of the new contracts and supplementary contracts totalled approximately HK$658,153,000 in Hong Kong and the PRC, which is our record high when compared with HK$332,181,000 in 2016 or any other years in our history. As at 31 December 2017, the Group had remaining contract sums of approximately HK$1,131,777,000, a 24.5% surge compared with our remaining contracts sum of HK$909,151,000 last year.

As our main stream of practice, our traditional sector in architecture contributed approximately 85.0% of the revenue to our comprehensive architectural services. Commercial design has shown outstanding market potential with significant additional revenue of HK$42,422,000 reflected in 2017. We are optimistic of future revenue growth in this sector, considering the strong market demand and our significant contract sum on hand at year end.

Interior design sector maintained its remarkable growth curve. Riding on the strong momentum in recent years, our interior design team has sustained a 51.8% growth in revenue in this year. It has fulfilled rising market demands on urban renovation projects especially in offices and hospitality. Furthermore, the team has launched a new business line of artistic consultancy with an aim to strengthen its brand presence, which has already contributed revenue for the Group during the year.

BIM services

On 29 November 2017, we completed the acquisition of isBIM in order to penetrate into the BIM market. isBIM services covered BIM software development, BIM consultancy services and BIM professional training services. The project nature of isBIM covers smart cities, government buildings, infrastructure and large-scale private property development. During the year, isBIM brought in one month of its revenue to the Group after the acquisition at the end of November, amounted to HK$2,936,000. Remaining contract sum of isBIM as at 31 December 2017 was approximately HK$43,740,000. We believe that together with the Group's experience and connections in our traditional architecture services, isBIM will be able to connect our existing architecture services and create extended value to our customers.

FINANCIAL OVERVIEW

Revenue

In 2017, the Group successfully enhanced its business model by exploration of new business opportunities and diversification of business portfolios. During the year, the Group's revenue was HK$455,768,000, when compared with that of HK$358,944,000 in 2016, representing an increase of 27.0%.

Commercial design sector become our main revenue growth driver in the second half of 2017, contributing revenue of HK$42,422,000 during the year. With the Group's expanded professional teams, the Group recorded a significant growth in the second half of 2017. The Group's revenue in the second half year was HK$285,327,000, representing an increase of 47.2%, when compared with revenue of HK$193,860,000 in the same period of last year. Interior design sector continued its rapid growth and recorded revenue of HK$40,742,000, surged by 51.8%, when compared with last year revenue of HK$26,848,000.

Cost of services

Due to the Group's expansion on the commercial design team and the enlarged order books in 2017, the Group expanded our workforce by recruiting a substantial number of new talents with the number of architects increased from about 480 in 2016 to almost 670 in 2017. Cost of services for the year ended 31 December 2017 amounted to HK$338,657,000, when compared with that of HK$257,418,000 in 2016, representing an increase of 31.6%. Over 70.0% of such increment during the year is contributed by the increase in direct staff costs in order to assemble related talents and pioneering design teams among different sectors, especially commercial design sector, interior design sector and the Group's architectural design sector in the PRC. Other overhead expenses, including rental expenses for the expansion of office premises in Hong Kong and the PRC, rose at the same time when our workforce increased.

Gross profit and gross profit margin

Gross profit for the year amounted to HK$117,111,000, increased by 15.4% when compared with last year. At the same time, gross profit margin of the Group dropped from 28.3% to 25.7%. The decrease in gross profit margin in this year was due to the aforementioned expansion of the commercial design sector, leading to a significant staff costs and overhead increment since the beginning of 2017, while revenue from this sector is yet to be reflected in the first half of 2017. Since our commercial design team was in full deployment in the second half year. We saw increase in our gross profit margin from 21.8% in the first half of the year to 28.0% in the second half of the year. However, overall gross profit margin in whole year was affected.

Administrative expenses

Administrative expenses for the year ended 31 December 2017 amounted to HK$78,755,000, when compared with last year of HK$69,426,000, representing an increase of 13.4%. The increase was mainly attributable to the office expansion in current year such as the development of a business development team and a research & marketing team in order to further enhance our corporate culture and branding, etc.

Profit for the year

The profit for the year ended 31 December 2017 was HK$33,355,000, a remarkable increment of 64.6% when compared to last year.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Current assets	**484,859**	332,348
Current liabilities	**199,683**	172,064
Current ratio	**2.43**	1.93

The current ratio of the Group at 31 December 2017 was 2.43 times as compared to that of 1.93 times at 31 December 2016. It was mainly resulted from monetisation of our projects work in progress and proceeds received from BMEDI for the share subscription during the year.

As at 31 December 2017, the Group had total bank balances and cash of HK$233,807,000 (2016: HK$83,104,000). The unutilised banks' facility is HK$34,650,000 (2016: HK$35,560,000) as at 31 December 2017. The Group is having sufficient funding for future expansion and merger and acquisition plans.

As at 31 December 2017, the Group's gearing ratio is 8.5% (represented by unsecured bank borrowings divided by total equity). 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 was a year of substantial growth. Our revenue, our profit and new contracts secured have all reflected a record-breaking increase. Our pursuit to deliver quality designs has gained a myriad of significant awards not only in Hong Kong but also from international institutions.

As 2018 unfolds, our Group will be geared up integrating architecture with information technology development and BIM trends plus other related technologies concept for Smart City.

Our latest acquisition in isBIM is the very engine that integrates architectural design with information technology. We will be transcending from a previous growth model highly reliant on staff population to a data based consultancy practice. Our service cycle will be enhanced and extended. We will use the Smart City concept for urban planning, architectural design and site management. This will position our group to gain ground in the tremendous market opportunities especially within the Greater Bay Area.

Our new branches in Beijing, Chongqing and Shenzhen are expected to extend our performance in an upward trajectory. Set up in 2017, Chongqing office focused on the fast-growing western region in mainland China, has recorded substantial increase in profit for the Group.

We are also in the process of establishing the Greater Bay Innovation Centre ("Innovation Centre") in Shenzhen together with BMEDI. This initiative will establish our position favorably for government policies that encourage applications of BIM. The Innovation Centre will be our research and development nuclei for BIM and other information technologies such as virtual reality (VR). We foresee that the technology advancement will significantly enhance our efficiency and leading position in the market.

Our strategic partnership with BMEDI will cultivate the huge potential amidst the booming urbanization in Mainland China. Specifically, transit-oriented development ("TOD") will be one of the preeminent infrastructures for China new towns. The Group is expected to record a new stream of TOD contracts in 2018, with joint efforts by BMEDI.

FINAL DIVIDENDS

The Directors have resolved to recommend a final dividend of HK4.0 cents per share for the year ended 31 December 2017 (2016: HK3.0 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.

USE OF PROCEEDS

On 6 April 2017, the issue of new shares under specific mandate has been completed. The net proceeds (after deduction of all relevant costs and expenses) from the subscription of 79,473,780 new shares by BD Group (the "Subscription") were approximately HK$145.8 million.

During the year ended 31 December 2017, the net proceeds from the Subscription had been applied as follows:

	Planned use of net proceeds as stated in the circular dated 14 March 2017 (adjusted with final relevant costs and expenses) *HK$ million*	**Actual use of proceeds up to 31 December 2017** *HK$ million*
For potential merger and acquisition of targets in the similar business of the Company for vertical integration strategies	126.8	**20.6**
To expand the offices of the Group in order to maximise the benefits from the established and expanding client network	13.0	**5.8**
To enhance the Company's information technology infrastructure and working capital	6.0	**4.0**
	145.8	**30.4**

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.

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.

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 2017. 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, United States dollars and Renminbi. As at 31 December 2017, 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 Company, through its direct wholly-owned subsidiary, subscribed 49% of enlarged issued share capital of isBIM, at HK$20,580,000.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2017, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2017, expect for the subscription of 49% of enlarged issued share capital of isBIM, there was no other material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group.

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2017 (2016: Nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2017 (2016: 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$54,431,000 (2016: HK$47,361,000) as at 31 December 2017.

As at 31 December 2017, the Group is committed to make a further capital contribution to isBIM in the sum of not more than HK$13,720,000 on or before 30 September 2018, or within one month of the issuance of the Interim Accounts 2018 (as defined in the announcement of discloseable transaction relating to the subscription of 49% of the entire issued share capital of the target company dated 22 November 2017) (which ever is later) (2016: Nil).

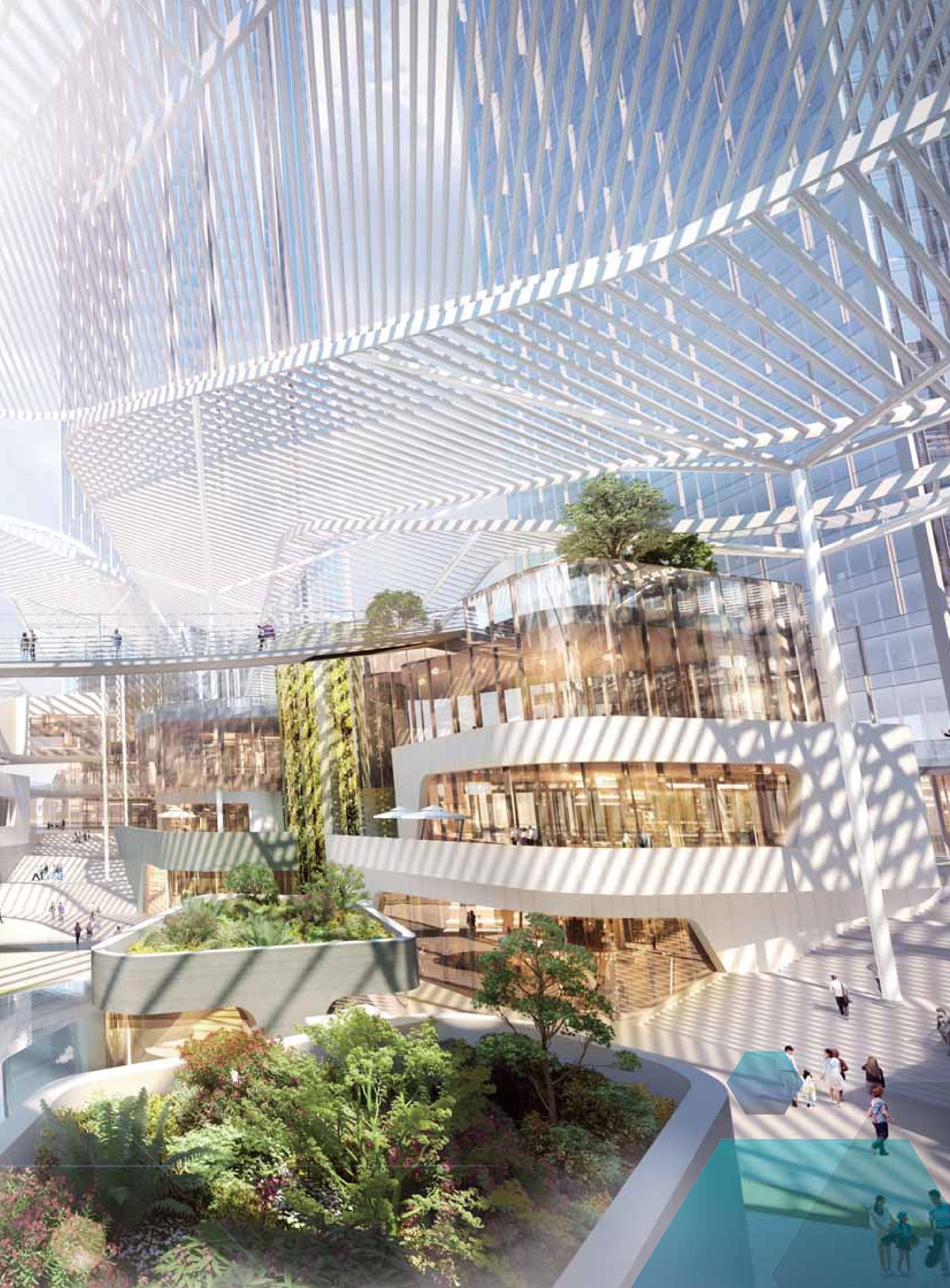
EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group, including isBIM, employed around 900 (2016: around 585) 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 share option scheme approved by the shareholders of the Company on 5 December 2013.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

We are delighted to present the Environmental, Social and Governance ("ESG") Report of the Group. Objective of this ESG Report is to highlight the Group's ESG performance for the purpose of assisting all stakeholders in understanding the Group's ESG concepts and practices in achieving sustainable development for the future. This report covers the period between 1 January 2017 and 31 December 2017, except where stated otherwise.

This ESG Report covers our major operating subsidiaries of the Group. While isBIM Limited is acquisied near the end of year, it is excluded in this year ESG Report.

The Report complies with the disclosure requirements set out in 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. An assessment on the applicability and materiality of the relevant key performance indexes ("KPIs") under the ESG Reporting Guide had been conducted. Moreover, this Report complies with all the 'comply and explain' provisions and has included explanation for provisions which are not applicable to the Group.

ESG GOVERNANCE

The LWK Group is one of the leading comprehensive architectural services providers in Hong Kong and PRC. The Group is committed to pursue excellence in architectural design, with the goal of improving urban spaces while enhancing living quality of both individuals and general public.

Moreover, the Group understands the importance of environment, society and governance to the Group's future development, and realizes their far reaching influences to the general public. The Group is committed to the principles of good corporate governance and strives to integrate corporate social responsibilities into its business strategy and management approach.

ESG aspects as set forth in ESG Guide		**Material ESG issues for the Group**
A.	Environmental Performance	
	A1 Emissions	Carbon dioxide emissions & waste management
	A2 Use of resources	Efficient use of energy
	A3 Environment and natural resources	Green office management
		Green design & certification
B.	Social Performance	
	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	IS09001 Quality Management System
	B7 Anti-corruption	Anti-corruption code & promotion training
	B8 Community investment	Community programme participation & donation

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

A. ENVIRONMENTAL PERFORMANCE

Environment Policy and Performance

In order to demonstrate the Group's commitment to sustainability, the Group endeavors to continually improve its environmental performance and to minimize or, ultimately, to prevent any environmental impacts from its operations, activities, products, and services. The Group will identify materials, processes, products and wastes that would cause or may cause pollution, and will adopt measures to avoid, reduce or control pollutions wherever technically and economically viable. In 2017, there were no non-compliance incidents in relation to environmental protection that would have imposed significant impacts to the Group's operation. Further, the Group has scheduled to implement the ISO14001 Environmental Protection System in 2018.

KPI of ESG Reporting Guide		**Corresponding Page**
A	*Environmental Performance*	
A1	Emissions	
A1.1	Types of emissions & respective emissions data	Not applicable while unsignificant
A1.2	Greenhouse gas emissions	Page 24
A1.3	Hazardous waste	Not applicable while unsignificant
A1.4	Non-hazardous waste	Not applicable while unsignificant
A1.5	Emissions mitigation	Page 24
A1.6	Hazardous & non-hazardous wastes reduction	Not applicable while unsignificant
A2	Use of Resources	
A2.1	Energy consumption	Page 25
A2.2	Water consumption	Not applicable while unsignificant
A2.3	Energy use efficiency	Page 25
A2.4	Water use efficiency	Not applicable while unsignificant
A2.5	Packaging material	Not applicable while unsignificant
A3	Environmental & Natural Resources	
A3.1	Impacts of activities on environment & natural resources	Page 25

Emissions

The Group complies with the 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. In view of our non-industrial business nature, we have no significant effect on the environment and natural resources. We do not offer any hazardous production nor produce any hazardous waste as well as no usage of packaging material for finished product during the operations. Therefore KPIs A1.1 (types of emissions and respective emissions data), A1.3 (total hazardous waste produced), A1.4 (total non-hazardous wastes produced) and A1.6 (description of how hazardous and non-hazardous wastes are handled, reduction initiatives and result achieved) are not significant to the Group's operation and have not been disclosed in this report.

During the reporting period, the Group has only involved in the emissions resulting from electricity consumed within the office premises and business air travel by employees.

With reference to KPI A1.2 greenhouse gas ("GHG") emissions, the Group's major source of energy indirect emissions (Scope 2) resulting from electricity consumption in Hong Kong was 322,274 supplied by CLP Power Hong Kong Limited. The CO_2 equivalent emissions was 203,032 kg which covered total floor area of 34,628 square-feet. To push forward the emissions mitigation (KPI A1.5) in workplaces as to prevent and reduce GHG emissions, the Group has replaced the old high energy-consumption and low efficiency equipments/vehicles by some new energy-efficient and environmental-friendly equipments/vehicles during the reporting period, where the factor of energy-efficient was prioritized during the process of selecting the equipment/vehicle with an objective in mitigating emissions and reducing electricity usage.

Non-hazardous waste category	**Quantity**	**Unit**	**Intensity – Unit per employee**
CO2 equivalent Emissions	322,274	kWh	590.21

The Group does not have statistics in business air travel. Nevertheless, to reduce the impact on the environment, the Group has adopted green office practice to minimize the overseas business travels which includes video conference, e-mail, phone call as well as share-point technology. The Group has implemented Microsoft Office 365 to allow different offices to work together on the internet at the same time since 2017.

Use of Resources

The major resources consumed by the Group in different offices are electricity and water. The total electricity consumption was 322,274 kilowatt-hour (kWh) (2016: 311,487 kWh), with an energy intensity of 100.14 kWh/m^2 (2016: 120.31 kWh/m^2). To push forward the measures for energy conservation and emissions minimization in workplaces, the Group has procured more energy-efficient equipments to reduce electricity consumption.

Energy Type	Quantity	Unit	Intensity – Unit per employee
Electricity consumption	322,274	kWh	936.84
Energy intensity	100.14	kWh/m^2	0.29

The Group's operation does not involve any water consumption and the Group does not have statistics in relation to water consumption, while water supply in the Group's office premises is supplied by the building's management office. Therefore the KPI A2.2 (water consumption in total and intensity) and KPI A2.4 (water efficiency initiatives and result achieve) are not significant to the Group's operation and have not been disclosed in this report.

Furthermore, as no packaging material was used for finished product in our Group's operation, KPI A2.5 (packaging material used for finished products) is not applicable to the Group and has not been disclosed in this report.

Environmental and Natural Resources

The Group's operation does not involve any production-related pollution with respect to air, water and land, which are regulated under the related environmental laws and regulations. As all main operations are indoor operations, the direct impact towards the environmental and natural resources arising from the activities of the operations is minimal.

Being an architectural services provider, the Group inevitably consumes paper in its production work. Under the principles of "reduce, reuse and recycle", the Group has designed and implemented a seamless flow and paperless document management system, namely, PRMS, in order to streamline the workflow and minimize usage of paper. Documents are transformed into the form of electronic image and distributed to the responsible parties, and will be filed automatically in accordance with the assigned QR code system. This is a big step to paperless office with high efficiency. In addition, all waste papers are collected by specialized recycling company on a weekly basis for effective recycling. The specialized recycling company also collects the wasted printing cartridges and other disposal materials.

The Group pays close attention to the use of natural resources as to reduce the environmental impacts as well as to lower the running costs. The Group maintains an in-house professional team with special expertise in sustainability. There are currently 25 senior staff with professional qualifications in green building and energy and environmental design such as LEED Pro, BEAM Pro and BEAM Plus in the team. The professional team ensures that the Group's designs on buildings are of zero carbon impact to the environment, and that clients' projects are incorporated with new development in materials and technology for sustainability and energy efficiency. The environmental features also improve the surroundings and enhance the sustainability of the communities where the buildings are situated.

We implement the green initiatives in many projects. Some of the projects honored the awards on the platinum level of rating from HKGBC BEAM Plus New Building. One of the residential project, situated in the high density urban environment of Hong Kong, which stands out with its unique streamlined design, backed with mountains, the projects modern architectural design elements such as the outer curtain wall made of grass and metal, and dynamics balcony design reflect and blend with the surrounding natural environment, forming a totally different atmosphere. The roof of the project is fully covered by high-reflectivity materials and more than 30% of the entire project is covered by green areas. Another project's key concept is the open plan design. Each house not only blends the interior spaces seamlessly, it also serves as a functional purpose to facilitate ventilation. Moreover, there is a project in the PRC based on smart transit oriented development ("TOD") concepts maximizing rail transport for urban mobility and reducing dependence on private cars as a major means of mobility for individuals. The rail stations are also connected by an intricate network of below-grade, at-grade and above-grade connectors which enhance individual mobility within the commercial district and improve pedestrian experience of the city. The whole rail station is a green deck which acts as a green lunch and which in turn is connected to an entire green and blue network for the whole district.

To conclude, the Group is leading the way in promoting best practices in environmental design and in moving towards sustainability. This can be illustrated by the fact that many of the buildings designed by the Group are widely recognized as displaying excellence through their environmental and energy efficient designs. In terms of energy conservation, all the buildings of our design meet the stringent sustainability criteria of Hong Kong's LEED, BEAM Pro, or BEAM Plus certification under the Hong Kong Green Building Council. We are a member of the Business Environment Council, the China Green Building (Hong Kong) Council, and the Hong Kong Green Building Council.

B. SOCIAL PERFORMANCE

KPI of ESG Reporting Guide		**Corresponding Page**
B.	*Social Performance*	
B1	Employment policies & standard	Page 28
B1.1	Total workforce	Page 28
B1.2	Employee turnover rate	Refined management in the future
B2	Health and Safety policies & standard	
B2.1	Number and rate of work-related fatalities	Not applicable while unsignificant
B2.2	Lost days due to work injury	Not applicable while unsignificant
B2.3	Occupational health & safety measures	
B3	Development and Training	Page 31
B3.1	Percentage of employees trained	Page 31
B3.2	Average training hours	Page 31
B4	Labour Standards	
B4.1	Avoid child & forced labour	No child & forced labour employment
B4.2	Steps taken to eliminate child & forced labour	Page 32
B5	Supply Chain Management	
B5.1	Number by suppliers by geographical region	Page 32
B5.2	Suppliers engagement	Page 32
B6	Product Responsibility	
B6.1	Product recalls for safety & health reason	No product recall record
B6.2	Products and service related complaints received	No complaint received
B6.3	Intellectual property rights protection	No infringement case
B6.4	Quality assurance process and recall procedures	Page 32
B7	Anti-corruption	
B7.1	Number of concluded legal cases of corruption practices	No concluded legal case
B7.2	Preventive measures and whistle-blowing procedures	Page 32
B8	Community Investment	
B8.1	Focus areas of contribution areas	Page 32
B8.2	Resources contributed on focus area	Page 32

Employment and Labour Practices

Being a leading knowledge-based professional consultant, the Group understands that employees are its valuable assets. Without the employees and their expertise, the Group could never achieve its current leading position. Therefore, retaining and nurturing talents, and growing its talents base are its priorities for sustainable growth.

As of 31 December 2017, the Group, excluding isBIM Limited, has employed around 800 staff (2016: around 585) in its offices in Hong Kong, PRC and Asia Pacific.

The distribution of the Group's workforce is summarized as below:

	Regional Distribution
Hong Kong	44%
Mainland China	50%
Asia Pacific	6%
Total	100%

The Group follows national laws and regulations strictly. 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 of employees are solely based on professional qualification, skills and experience of the candidates, while staff promotion is based on merit and performance. The Group respects gender equality and has adopted same remuneration level and structure for male and female employees, as well as taking the same way to determine the remunerations. During the reporting period, no unequal or unfair case was received by the Group.

Furthermore, other than offering attractive remuneration package with performance bonus to the employees, the Group also offers share option scheme to the senior staff. All these benefits are for encouraging the employees to grow with the Group and to reinforce their loyalty.

Number of Employees (divided by position grade and age)

	Age					
Position Grade	**30 & Below**	**31-40**	**41-50**	**51-60**	**60 & above**	**Sub-total**
Senior Management	0	7	19	10	4	40
Middle Management	5	70	24	2	6	107
General Employees	340	241	50	13	11	655
Total	345	318	93	25	21	802

Number of Employees (divided by position grade and education)

	Education					
Position Grade	**Master or above**	**Bachelor**	**College**	**Technical Institute**	**Secondary School or below**	**Sub-total**
Senior Management	19	20	1	0	0	40
Middle Management	45	50	6	6	0	107
General Employees	104	326	176	46	3	655
Total	168	396	183	52	3	802

Number of Employees (divided by position grade and gender)

Position Grade	**Male**	**Female**	**Sub-total**
Senior Management	4%	1%	5%
Middle Management	10%	3%	13%
General Employees	58%	24%	82%
Total	72%	28%	100%

Health and Safety

Employees are one of the critical success factors of the Group. To provide health and well-being to the employees, the Group has offered a comprehensive insurance coverage. It includes medical and personal accident insurance coverage as well as child benefits. In addition, the Group has arranged other wellness activities including fitness club privilege account enrolment and voluntary work initiatives to achieve employees' 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 maintains remarkable level in the occurance of accidents and injuries during the reporting period, which was in an extremely low rate with zero fatal accident.

In order to create a quality workplace to the staff, the Group has invested huge resources for office renovation and expanded the office space to 34,628 square-feet from 25,601 square-feet in 2017. The new office adopts contemporary office style and equipped with high-end facilities.

Training and Development

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

In 2017, the Group's training hours were 1,078 hours in total, with participation of 864 attendants from all levels. Staff development starts right after the employee's 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 Academy Committee provides a series of practical training programme of those "To-be-Architect" to equip them with necessary skills and knowledge that will keep them to stay competitive. Moreover, management staff of the Group would provide executive coaching and mentoring to the architectural graduates to further develop their professionalism and leadership.

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 employees to enrich their knowledge and help them to develop their personal interest. These gatherings provide opportunities for employees to exchange views casually and to develop mutual understanding among the different functions/disciplines of the Group.

The Group sponsors employees to participate project-specific seminars. In addition, the Group offers paid leave for employees 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 as to support the business operations and employee needs. In 2017, the Group has established a research team to advocate employees to conduct and present their own research on architectural design publicly. These can enrich the Group's design resources and employees' know-how.

Labour Standards

The Group strictly observes national laws and regulation. No businesses of the Group would use child or forced labour. The human resources department would verify all necessary data in relation to employment and would go through established procedures to ensure that candidates to be hired would all be proper and right. The established procedures would eliminate all child and forced labour as well as illegal employment. Within the reporting period, no such case was received by the Group. Moreover, all employees are in possession of their employment contract with staff handbook that states the terms and condition without ambiguously. Human resources department answers employees' employment query within a short period of time.

Supply Chain Management

For the long-term operation of the Group, the Group upholds a fair, safe and ethical approach in its day-to-day operation towards its numerous and diversified contractors and suppliers. The Group has established stringent internal control system in 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.

Product Responsibility

The Group strictly adheres to all laws and regulations in connection with its daily operation. The Group adopts ISO9001 Quality Management System. The Group is committed to high quality services with continuous improvement. Within the reporting period, no case relating to safety and health issues of products or services was received and there was no significant complaint in service quality and service delivery.

Intellectual Property Rights

The Group owned and registered several trademarks and domain names as they are valuable to its brand and corporate image. As at the date of this ESG report and within the reporting period, there was no infringement case received by the Group.

Data Protection and Privacy

All employees of the Group are obliged not to disclose any information in relation to their employment including but not limited to trade secrets, know how, client information, supplier information and other proprietary information to third parties without the Group's authorization. This term is clearly stated in every employee's employment contract.

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 including whistle blowing policy and laid down in the Staff Handbook. Employees are strictly forbidden 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 broadens our Corporate Social Responsibility ("CSR") to wider range of beneficiaries in Hong Kong. We focus on academic and practical trainings for students. Also, engaging our staff to participate in sports charity events to benefit people in need. The Group also took part in cultural programme which aroused public interest in architecture and design.

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-organized the Youth Guidance Programs with Career Sparkle of St. James' Settlement ("SJS") and Hong Kong Unison Limited. The Group also conducted a sharing with 15 students from the Vocational Training Council Technological and Higher Education Institute of Hong Kong, Department of Environment, Faculty of Design and Environment, on career and project information.

During the Project WeCan ("PWC") Career Exploration Day in June 2017, the Group offered opportunities to over 5,000 secondary school students in total to experience as Architectural Assistants to learn about building architectural models. 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 partnered with SJS on love giving services. 20 primary school students from SJS produced their own 3D printing materials for introducing Intangible Cultural Heritage during visits at elderly house.

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 Corporate Challenge 2017, a running team of 62 participated, helping to benefit the mentally and multiple handicapped supported by The Community Chest. And it's the first year for the Group to join Dress Casual Day of the Community Chest of Hong Kong, 80 colleagues actively participated.

Guided tours for students and community to refurbished Blue House Cluster was arranged. Serving as the heritage consultant of the project, the Group shared the heritage values of Blue House Cluster and its neighborhood.

Apart from youth and community involvement, we devote to elder care also. By volunteering in elderly house visits, we believed by showing concern, care and mutual support can establish an ideal harmonious living environment.

This year, the Group also participated in several fund-raising events by different authorities, including the Hong Kong Mine Challenge 2017 by Evangelical Lutheran Church of Hong Kong, Construction Industry Council Happy Run 2017, Lifewire Run 2017 and Sowers Action Challenging 12 Hours 2017.

Participation in Cultural Landscape Improvement

To arouse public interest in architecture and design, the Group takes active role in cultural events with positive impact regionally and internationally.

In summer 2017, the Group participated in Together We Build: Community Engagement in Public Space Transformation organized by Hong Kong Sheng Kung Hui Welfare Council, the program featured and advocated Hong Kong as in inclusive community by engaging cross sector partnership and cross generation connectedness.

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 2017.

Apart from being a Caring Company in seven consecutive years, we were honored to receive significant recognition on our enthusiasm for community services and support to the needy, Certificate of Merit in Community Engagement Award from HSBC Living Business Awards 2017 was achieved.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liang Ronald (梁鵬程), aged 68, 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 42 years of experience in the architectural service industry with 37 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. Liu Gui Sheng (劉桂生) ("Mr. GS Liu"), aged 55, was appointed as a co-chairman and executive Director on 1 May 2017. Mr. GS Liu graduated from Beijing Institute of Architecture and Civil Engineering (currently named as Beijing University of Civil Engineering and Architecture) with a Bachelor Degree on Road and Bridge Engineering in 1984. He was awarded a Master Degree on Transportation Engineering by Beijing University of Technology in 2004.

Mr. GS Liu is currently a member of the Standing Communist Party Committee of Beijing Enterprises Group Company Limited ("BEGCL"), and a director of BEGCL. He is a secretary of the Standing Communist Party Committee of Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("BMEDI") and the Chairman of BMEDI. Mr. GS Liu is the Chairman of Beijing Enterprises Energy Technology Investment Co. Limited. BMEDI is a subsidiary of BEGCL, and it is the holding company of Beijing Design Group Limited, one of the substantial shareholders of the Company. Mr. GS Liu is the Vice President of China Engineering & Consulting Association. He is also the President of the Municipal Engineering Design Division of the Association.

He has accumulated over 30 years of experience in Municipal Engineering Investigation and Design. Mr. GS Liu has participated in numerous nationwide projects in establishing technical standards and documentations for the industry. Mr. GS Liu is a National Master of Engineering Survey and Design (全國工程勘察設計大師), a professional-level senior engineer, and awarded with State Council special allowance. He is a state-selected laureate in the project of "Hundreds, Thousands, and Ten Thousands of Talents for the New Century" (新世紀百千萬人才工程) in Beijing. Mr. GS Liu won numerous significant awards in the industry, including "Significant Contributor in Beijing on Science, Technology and Management" (北京市有突出貢獻的科學、技術、管理人才), and "Outstanding Contribution on the Consultancy of Project Planning Survey and Mapping for Beijing Olympic Project" (北京市奧運工程規劃勘察設計與測繪行業突出貢獻顧問).

Mr. Fu Chin Shing (符展成), aged 51, 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 26 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 53, 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 28 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. Liu Yong (劉勇) ("Mr. Y Liu"), aged 54, was appointed as an executive Director on 1 May 2017. Mr. Y Liu graduated from Beijing Institute of Architecture and Civil Engineering (currently named as Beijing University of Civil Engineering and Architecture) with a Bachelor Degree on Civil Engineering in 1985. He joined BMEDI in 1985, and was promoted as Vice President (now as Vice General Manager) of BMEDI in 2005. Mr. Y Liu has devoted his career in Planning of Urban Road and Rail Transit for over 30 years. He is recognised as a professional-level senior engineer.

Mr. Y Liu is a former member of the 12th CPPCC National Committee (全國政協委員). He is a Vice Chairman of the China Association for the Engineering Construction Standardization (中國工程建設標準化協會, CECS) and a Director of CECS Transportation Special Committee (中國工程建設標準化交通專委會). Mr. Y Liu is a state-selected laureate in the project of "Hundreds, Thousands, and Ten Thousands of Talents for the New Century" (新世紀百千萬人才工程) in Beijing, and awarded with State Council special allowance.

Mr. Y Liu has accumulated extensive experience in Urban Rail Transit. He was in charge of over 100 major engineering design projects, receiving numerous awards and scientific research achievements on municipal levels, ministerial levels and nationwide. Awarded projects include the 4th Ring Road in Beijing – China Zhan Tianyou Civil Engineering Award; Beijing Capital International Airport Rail Transit Project – National Gold Award (國家金質獎); and Supporting Works for Beijing Olympic Common Domain – 1st Prize of National Excellent Engineering Design (全國優秀工程設計).

Mr. Ma Kwai Lam Lambert (馬桂霖), aged 49, was appointed as an executive Director on 1 May 2017. Mr. Ma is responsible for commercial design of architectural projects of the Group and oversees 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. Mr. Ma joined the Group in July 2009 and was promoted to the rank of director in January 2014. Mr. Ma has 22 years of experience in the architectural service industry in Hong Kong and the PRC. Mr. Ma has held professional membership in the HKIA since 2011 and has been a registered architect in Hong Kong since 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Wai Hung (盧偉雄), aged 58, 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 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. Yu Chi Hang (alias, Yue Chi Hang) (余熾鏗), aged 68, 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.

Ms. Su Ling ("Ms. Su") (蘇玲), aged 48, was appointed as an independent non-executive Director on 1 May 2017. She graduated from the Journalism College of China with a Bachelor Degree in News Editing in 1992. She received a Diploma in Management from China Europe International Business School (CEIBS) in 1999. Ms. Su has been an executive director of Investment Banking Division, Southwest Securities Company Ltd. from 2012 to 2016. Ms. Su was responsible for numerous projects of mergers and acquisitions, National Equities Exchange and Quotations listing and corporate refinancing in the People's Republic of China. She is well-experienced in capital operation and financial consulting.

SENIOR MANAGEMENT

Mr. Lo Kin Nang (盧建能), aged 48, is the director of architecture. He is responsible for architectural projects and 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. He joined the Group in 1997 and was promoted to the rank of director in 2010.

Mr. Lo has 21 years of experience in the architectural service industry 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 47, is the director of architecture. He is responsible for architectural projects in Hong Kong and overseeing the operations in Hong Kong and Manila. He initially joined the Group in 1996 and later rejoined in 2004. He was promoted to the rank of director in 2010. 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 22 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 50, 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, leading many prominent award winning projects. Mr. He is a director of a significant subsidiary established in the PRC. 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.

Mr. Chan Chui Man (陳聚文), aged 42, 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. Chan Pak Yuen (陳柏源), aged 40, 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.

Ms. Yu Wing Sze (余詠詩), aged 41 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 19 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 53, is the financial controller of a significant subsidiary established in the PRC. 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 53, 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

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2017, 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 2017 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. Liu Gui Sheng (Co-chairman)
Mr. Fu Chin Shing (Chief Executive Officer)
Mr. Wang Jun You
Mr. Liu Yong
Mr. Ma Kwai Lam Lambert

Independent Non-Executive Directors

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

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 2017, 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	11/11	3/3
Mr. Liu Gui Sheng (appointed on 1 May 2017)	5/5	1/2
Mr. Fu Chin Shing	11/11	3/3
Mr. Wang Jun You	10/11	3/3
Mr. Liu Yong (appointed on 1 May 2017)	5/5	1/2
Mr. Ma Kwai Lam Lambert (appointed on 1 May 2017)	4/5	2/2
Mr. Lo Kin Nang (resigned on 1 May 2017)	6/6	1/1
Mr. Ng Kwok Fai (resigned on 1 May 2017)	6/6	1/1
Mr. He Xiao (resigned on 1 May 2017)	5/6	0/1
Independent Non-Executive Directors		
Mr. Yu Chi Hang	10/11	3/3
Mr. Lo Wai Hung	10/11	2/3
Ms. Su Ling (appointed on 1 May 2017)	5/5	1/2
Mr. Wang Julius (resigned on 1 May 2017)	5/6	1/1

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 and Co-chairman of the Board are Mr. Liang Ronald and Mr. Liu Gui Sheng respectively, who provide leadership for the Board and ensure the effectiveness in all aspects. With the support of the senior management, the Chairman and Co-chairman are 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 2017.

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 four committees, namely audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and investment committee (the "Investment 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. Yu Chi Hang
Ms. Su Ling (appointed on 1 May 2017)
Mr. Wang Julius (resigned on 1 May 2017)

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 2017.

According to the current terms of reference, the Audit Committee shall meet at least twice a year. Four meetings were held by the Audit Committee for the year ended 31 December 2017. 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	4/4
Mr. Yu Chi Hang	4/4
Ms. Su Ling (appointed on 1 May 2017)	2/2
Mr. Wang Julius (resigned on 1 May 2017)	2/2

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

Two meetings were held by the Remuneration Committee for the year ended 31 December 2017 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	2/2
Mr. Fu Chin Shing	2/2
Mr. Lo Wai Hung	2/2

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. Liu Yong (appointed on 1 May 2017)
Mr. Yu Chi Hang
Mr. Lo Wai Hung (appointed on 1 May 2017)
Ms. Su Ling (appointed on 1 May 2017)
Mr. Wang Julius (resigned on 1 May 2017)

Two meetings were held by the Nomination Committee for the year ended 31 December 2017 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	2/2
Mr. Liu Yong (appointed on 1 May 2017)	0/0
Mr. Yu Chi Hang	2/2
Mr. Lo Wai Hung (appointed on 1 May 2017)	0/0
Ms. Su Ling (appointed on 1 May 2017)	0/0
Mr. Wang Julius (resigned on 1 May 2017)	2/2

Investment Committee

The Company has established the Investment Committee on 11 May 2017 with terms of reference adopted on 29 August 2017. The majors duties of the Investment Committee include reviewing and assessing the Group's major investment plans and transactions (including but not limited to acquisitions and disposals, etc.); and expressing opinions and recommendations to the Board; and taking up any other responsibilities assigned by the Board.

The Composition of the Investment Committee is as follows:

Mr. Liu Gui Sheng (Chairman)
Mr. Liang Ronald
Mr. Fu Chin Shing
Mr. Wang Jun You
Mr. Liu Yong

Two meetings were held by the Investment Committee for the year ended 31 December 2017 and the record of attendance of each member of the Investment Committee is set out as follows:

Name of member of the Investment Committee	Meeting attended/ eligible to attend
Mr. Liu Gui Sheng	2/2
Mr. Liang Ronald	1/2
Mr. Fu Chin Shing	2/2
Mr. Wang Jun You	2/2
Mr. Liu Yong	2/2

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 2017, 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.

Disclosure of Inside Information

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the Listing Rules that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and disseminating inside information are as follows:

- the Group conducts its affairs with strict compliance with the disclosure requirement under the Listing Rules and the "Guideline on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong;
- the Group has implemented its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcement and its website; and
- the Group has strictly prohibited any unauthorized use of confidential or inside information.

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 2017 and 2016 respectively are analysed as follows:

Services rendered	**Fees paid/payable** **2017** **HK$'000**	2016 HK$'000
Audit services	**1,210**	1,100
Non-audit services		
– Review of interim financial information	**230**	230
– Review of continuing connected transaction	**20**	–
– Tax compliance and planning review	**40**	28
– Review of result announcements	**20**	20
	1,520	1,378

(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 2017, 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 2017.

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 37 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 72 to 74.

The directors recommend the payment of a final dividend of HK4.0 cents per share amounting to approximately HK$11,530,000 for the year ended 31 December 2017, 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 2017 required by Schedule 5 to the Hong Kong Companies Ordinance is set out in the section headed "Management Discussion and Analysis" on pages 10 to 13 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 "A Environmental Performance" in the Environmental, Social and Governance Report on pages 23 to 26 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 2017 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 section headed "B Social Performance" in the Environmental, Social and Governance Report on pages 27 to 36 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 138 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 2017 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 29 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 75 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$298,024,000 (2016: HK$121,435,000). 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. Liu Gui Sheng (Co-chairman)	(appointed on 1 May 2017)
Mr. Fu Chin Shing (Chief Executive Officer)	
Mr. Wang Jun You	
Mr. Liu Yong	(appointed on 1 May 2017)
Mr. Ma Kwai Lam Lambert	(appointed on 1 May 2017)
Mr. Lo Kin Nang	(resigned on 1 May 2017)
Mr. Ng Kwok Fai	(resigned on 1 May 2017)
Mr. He Xiao	(resigned on 1 May 2017)

Independent non-executive directors

Mr. Yu Chi Hang	
Mr. Lo Wai Hung	
Ms. Su Ling	(appointed on 1 May 2017)
Mr. Wang Julius	(resigned on 1 May 2017)

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. Fu Chin Shing, Mr. Ma Kwai Lam Lambert, and Mr. Lo Wai Hung 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 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 2017, 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	69,398,000	24.07%
	The Company	Beneficial interest	4,904,000	1.70%
	The Company	Beneficial interest	3,500,000 (Note 1)	1.21%
Mr. Liu Gui Sheng	The Company	Beneficial interest	3,500,000 (Note 1)	1.21%
Fu Chin Shing	The Company	Interest in a controlled corporation	30,662,000	10.63%
	The Company	Beneficial interest	2,852,000	0.98%
	The Company	Beneficial interest	2,800,000 (Note 1)	0.97%
Wang Jun You	The Company	Interest in a controlled corporation	12,940,000	4.48%
	The Company	Beneficial interest	1,450,000 (Note 1)	0.50%
	The Company	Beneficial interest	1,800,000 (Note 1)	0.62%
	The Company	Interest of spouse	200,000 (Note 2)	0.06%
	The Company	Interest of spouse	300,000 (Note 1)	0.10%
Mr. Liu Yong	The Company	Beneficial interest	1,000,000 (Note 1)	0.34%
Mr. Ma Kwai Lam Lambert	The Company	Beneficial interest	250,000	0.08%
	The Company	Beneficial interest	1,000,000 (Note 1)	0.34%

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

(2) Mr. 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 2017, 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 33 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 29,160,000 share options being granted pursuant to the Share Option Schemes during the year ended 31 December 2017.

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 *(resigned on 1 May 2017)*	6/12/2013	HK$0.83	800,000	–	(800,000)	–	–
– Ng Kwok Fai *(resigned on 1 May 2017)*	6/12/2013	HK$0.83	800,000	–	(800,000)	–	–
– He Xiao *(resigned on 1 May 2017)*	6/12/2013	HK$0.83	800,000	–	(800,000)	–	–
Senior management and other employees	6/12/2013	HK$0.83	–	–	–	–	–
			4,800,000	–	(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 year
Executive Directors								
– Liang Ronald		9/9/2015	HK$2.25	3,500,000	–	(3,500,000)	–	–
	(Note 2)	28/9/2017	HK$2.49	–	3,500,000	–	–	3,500,000
– Liu Gui Sheng *(appointed on 1 May 2017)*	*(Note 2)*	28/9/2017	HK$2.49	–	3,500,000	–	–	3,500,000
– Fu Chin Shing		9/9/2015	HK$2.25	1,550,000	–	(1,550,000)	–	–
	(Note 2)	28/9/2017	HK$2.49	–	2,800,000	–	–	2,800,000
– Wang Jun You		9/9/2015	HK$2.25	650,000	–	(650,000)	–	–
	(Note 2)	28/9/2017	HK$2.49	–	1,800,000	–	–	1,800,000
– Liu Yong *(appointed on 1 May 2017)*	*(Note 2)*	28/9/2017	HK$2.49	–	1,000,000	–	–	1,000,000
– Ma Kwai Lam Lambert		9/9/2015	HK$2.25	200,000	–	(150,000)	(50,000)	–
(appointed on 1 May 2017)	*(Note 2)*	28/9/2017	HK$2.49	–	1,000,000	–	–	1,000,000
– Lo Kin Nang		9/9/2015	HK$2.25	200,000	–	(200,000)	–	–
(resigned on 1 May 2017)	*(Note 2)*	28/9/2017	HK$2.49	–	1,000,000	–	–	1,000,000
– Ng Kwok Fai		9/9/2015	HK$2.25	200,000	–	(200,000)	–	–
(resigned on 1 May 2017)	*(Note 2)*	28/9/2017	HK$2.49	–	1,000,000	–	–	1,000,000
– He Xiao		9/9/2015	HK$2.25	200,000	–	(200,000)	–	–
(resigned on 1 May 2017)	*(Note 2)*	28/9/2017	HK$2.49	–	1,000,000	–	–	1,000,000
Senior management and other employees		9/9/2015	HK$2.25	2,150,000	–	(1,320,000)	(830,000)	–
	(Note 2)	28/9/2017	HK$2.49	–	8,760,000	–	–	8,760,000
Consultants		28/1/2016	HK$2.80	2,600,000	–	–	–	2,600,000
	(Note 1)	4/3/2017	HK$3.29	–	3,800,000	–	–	3,800,000
				11,250,000	29,160,000	(7,770,000)	(880,000)	31,760,000

(Note 1) The closing price of the Company's shares immediately before 3 April 2017, the date of grant of the 2017 options to consultants, was HK$3.20. The share options granted to the consultants shall be exerciseable from 3 April 2019 to 2 April 2020 (both dates inclusive).

(Note 2) The closing price of the Company's shares immediately before 28 September 2017, the date of grant of the 2017 options to the Board and employees, was HK$2.50. Save and except for the share options granted to Mr. Liang Ronald, Mr. Liu Gui Sheng, Mr. Fu Chin Shing and Mr. Liu Yong, the share options shall be exerciseable from 28 September 2020 to 27 September 2022 (both dates inclusive). In respect of the Share Options granted to Mr. Liang Ronald, Mr. Liu Gui Sheng, Mr. Fu Chin Shing and Mr. Liu Yong, the share options shall be exerciseable from 28 September 2022 to 27 September 2024 (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$2.63.

As at report date, nil and 31,760,000 shares are issuable for options granted under the Pre-IPO Share Option Scheme and Share Option Scheme, representing approximately 0% and 11.01% 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 TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance 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 2017.

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 2017; 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 2017 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.

Since 6 April 2017 after the subscription, Mr. Liang Ronald, Rainbow Path International Limited and Veteran Ventures Limited were no longer entitled to exercise, or control the exercise of, more than 30% of the voting power at general meetings of the Company, directly or indirectly and ceased to be controlling shareholders of the Company.

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 2017, as required to be disclosed under Rule 8.10(2) of the Listing Rules.

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

There is no 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 in 2017.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2017, 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 of Divisions 2 and 3 of Part XV of the SFO, recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the shares of the Company:

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

Notes:

1. Beijing Design Group Company Limited is 100% owned by BEMDI and BMEDI is 100% owned by Beijing Enterprises Group Company Limited.

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

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

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

5. Ms. Liang Sharon, being spouse of Mr. Liang Ronald, is deemed to be interested in the 74,302,000 shares and share options held by Mr. Liang Ronald under the SFO.

6. Ms. Chung Wai Chi, Connie, being spouse of Mr. Fu Chin Shing, is deemed to be interested in the 33,514,000 shares and share options held by Mr. Fu Chin Shing under the SFO.

7. Ms. Li Min, being spouse of Mr. Wang Jun You, is deemed to be interested in the 14,590,000 shares and share options held by Mr. Wang Jun Yau under the SFO.

8. It represents the interest in 200,000 shares and the interest in 300,000 underlying shares upon exercise of the share options granted under the Share Option Scheme.

Save as disclosed above, as at 31 December 2017, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were as recorded in the register required to be kept under section 336 of the SFO.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONNECTED TRANSACTIONS

On 30 June 2017, the Company and BMEDI, being one of the substantial shareholders of the Company, entered into the Framework Agreement, pursuant to which the parties thereto agreed that the Group shall provide design services to the BMEDI Group, with the scope of services including but not limited to architectural design, landscape design, town planning design and interior design. The Framework Agreement shall be effective on 30 June 2017 and shall expire on 31 December 2019 unless terminated in accordance with the terms of the Framework Agreement.

The annual cap for the continuing connected transactions for the year ended 31 December 2017 was RMB14,700,000 (equivalent to approximately HK$16,900,000).

The independent non-executive directors confirm that the transaction has been entered into by the Company in the ordinary course of its business, on normal commercial terms/on terms no less favourable than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the board of directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in Note 32 of the Annual Report in accordance with Rule 14A.56 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms/on terms no less favourable than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

EMOLUMENT POLICY

The emolument 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 33 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 2017 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$413,800.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2017, the aggregate revenue attributable to the Group's five largest clients represented approximately 42.2% of the Group's total revenue. The revenue attributable to the Group's largest client represented approximately 10.8% of the Group's total revenue for the same period.

For the year ended 31 December 2017, the aggregate sub-consultancy fee paid to the Group's five largest suppliers represented approximately 2.3% of the Group's total costs of services. The sub-consultancy fee to the Group's largest supplier represented approximately 0.29% 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

There is no significant event occurred after the reporting period.

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

27 March 2018

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS 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 72 to 137, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 (the "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 matter	How our audit addressed the key audit matter
Revenue recognition on contract work	
We identified the revenue recognition on contract work as a key audit matter due to the significant judgments exercised by the management 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 to provide appropriately for loss making contracts. As disclosed in note 5 to the consolidated financial statements, the contract revenue amounted to HK$455,768,000 for the year ended 31 December 2017. Notwithstanding that the 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 the project team's basis of estimation of the contract costs, and contract costs of the projects 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 costs 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 matter	How our audit addressed the key audit matter

Recoverability of amounts due form customers for contract work and progress billings receivable from 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 in determining the allowance for doubtful debts or written off of uncollectible bad debts.

As shown in notes 20 and 21 to the consolidated financial statements, as at 31 December 2017, the carrying amounts of amounts due from customers for contract work and progress billings receivable are HK$139,965,000 and HK$100,254,000 (net of allowance for doubtful debts of HK$2,433,000), respectively. In determining the allowance for doubtful debts and written off of bad debts, the management has considered the collectibility and ageing analysis of individual trade debts, amounts due from customers for contract work and progress billings receivable from contract customers. 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 doubtful debts with reference to the subsequent settlements and ageing analysis of progress billings receivable;
- Testing the ageing analysis of progress billings receivable, on a sample basis, to the source documents;
- Checking subsequent settlements 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 contract work.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to the significant judgment exercised by the management in performing the impairment testing. 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 cash-generating units, which is the value in use of the cash-generating units, to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating units and apply a suitable discount rate in order to calculate the present value. It involves the application of subjective judgment 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 is HK$31,688,000 and no impairment in respect of the goodwill has been recognised as at 31 December 2017.	Our procedures in relation to the impairment assessment of goodwill, 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 revenue and gross margin, with reference to the relevant growth forecasts and business plans; • Evaluating the reasonableness of, and recalculating, the sensitivity assessment applied by the 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 our agreed terms of engagement, 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

27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	5	**455,768**	358,944
Cost of services		**(338,657)**	(257,418)
Gross profit		**117,111**	101,526
Other income	6	**2,267**	298
Other gains and losses	7	**1,789**	(6,044)
Administrative expenses		**(78,755)**	(69,426)
Finance costs	8	**(629)**	(32)
Profit before tax	9	**41,783**	26,322
Income tax expense	11	**(8,428)**	(6,056)
Profit for the year		**33,355**	20,266
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**3,115**	(6,082)
Fair value loss on of available-for-sale investments		**(1,042)**	–
Reclassification adjustment upon disposal of a subsidiary		**–**	(497)
Other comprehensive income (expense) for the year		**2,073**	(6,579)
Total comprehensive income for the year		**35,428**	13,687
Profit (loss) for the year attributable to:			
Owners of the Company		**33,491**	20,745
Non-controlling interests		**(136)**	(479)
		33,355	20,266
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**35,492**	14,196
Non-controlling interests		**(64)**	(509)
		35,428	13,687
Earnings per share	12		
Basic (HK cents)		**12.9**	10.7
Diluted (HK cents)		**12.8**	10.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	**20,690**	11,661
Goodwill	15	**31,688**	20,897
Intangible assets	16	**5,748**	1,336
Available-for-sale investments	17	**66,618**	–
Rental and utility deposits	18	**8,088**	5,393
Deferred tax assets	19	**–**	1,496
		132,832	40,783
Current assets			
Amounts due from customers for contract work	20	**139,965**	143,001
Progress billings receivable from contract customers	21	**100,254**	100,815
Deposits, prepayments and other receivables	18	**5,492**	5,428
Other current assets	22	**2,800**	–
Income tax recoverable		**2,541**	–
Bank balances and cash	23	**233,807**	83,104
		484,859	332,348
Current liabilities			
Trade payables	24	**4,714**	3,481
Accruals and other payables	25	**86,413**	72,072
Amounts due to customers for contract work	20	**64,239**	89,394
Contingent consideration payable	26	**6,800**	–
Obligations under finance leases	27	**–**	306
Income tax payable		**2,167**	6,811
Unsecured bank borrowings	28	**35,350**	–
		199,683	172,064
Net current assets		**285,176**	160,284
Total assets less current liabilities		**418,008**	201,067

	Notes	2017 HK$'000	2016 HK$'000
Non-current liability			
Deferred tax liabilities	19	**3,816**	2,081
Net assets		**414,192**	198,986
Capital and reserves			
Issued capital	29	**2,883**	1,962
Reserves		**394,531**	197,304
Equity attributable to owners of the Company		**397,414**	199,266
Non-controlling interests		**16,778**	(280)
Total equity		**414,192**	198,986

The consolidated financial statements on pages 72 to 137 were approved and authorised for issue by the board of directors on 27 March 2018 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 2017

	Attributable to owners of the Company										
	Issued capital HK$'000	Share premium HK$'000	PRC Statutory reserve HK$'000 (Note a)	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000 (Note b)	Translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$000
At 1 January 2016	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 of foreign operations	–	–	–	–	–	–	(6,052)	–	(6,052)	(30)	(6,082)
Reclassification adjustment upon disposal of a subsidiary (Note 35)	–	–	–	–	–	–	(497)	–	(497)	–	(497)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(6,549)	20,745	14,196	(509)	13,687
Transfer upon disposal of a subsidiary (Note 35)	–	–	(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 interests	–	–	–	–	–	–	–	–	–	195	195
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	(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
Profit (loss) for the year	–	–	–	–	–	–	–	33,491	33,491	(136)	33,355
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	3,043	–	3,043	72	3,115
Fair value loss on available-for-sale investments	–	–	–	–	(1,042)	–	–	–	(1,042)	–	(1,042)
Total comprehensive (expense) income for the year	–	–	–	–	(1,042)	–	3,043	33,491	35,492	(64)	35,428
Transfer to statutory reserve	–	–	2,833	–	–	–	–	(2,833)	–	–	–
Non-controlling interests arising on acquisition of a subsidiary (Note 34)	–	–	–	–	–	–	–	–	–	17,607	17,607
Issue of new shares (Note 29)	795	144,977	–	–	–	–	–	–	145,772	–	145,772
Acquisition of additional interests in subsidiaries	–	–	684	–	–	681	(450)	–	915	(915)	–
Recognition of equity-settled share-based payments	–	–	–	2,833	–	–	–	–	2,833	–	2,833
Exercise of share options	126	26,300	–	(4,959)	–	–	–	–	21,467	–	21,467
Lapse of share options	–	–	–	(418)	–	–	–	418	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	430	430
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	(8,331)	(8,331)	–	(8,331)
At 31 December 2017	2,883	283,501	5,765	3,313	(1,042)	(46,389)	186	149,197	397,414	16,778	414,192

Notes:

(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 tax 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) The balance mainly represents a HK$53,519,000 debit reserve resulting from the share swap pursuant to the group reorganisation (details set out in 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 a director of the Company, Mr. Wang Jun You ("Mr. Wang") (details set out in 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 2017

	2017 HK$'000	2016 HK$'000
Operating activities		
Profit before tax	**41,783**	26,322
Adjustments for:		
Depreciation of property, plant and equipment	**6,622**	7,408
Loss on disposal/written off of property, plant and equipment	**997**	145
Written off of bad debts	**307**	449
(Reversal) provision of allowance for doubtful debts	**(407)**	2,502
Finance costs	**629**	32
Amortisation of intangible assets	**331**	293
Loss on disposal of a subsidiary	**–**	867
Fair value loss on held-for-trading investments	**–**	121
Interest income	**(2,250)**	(298)
Equity-settled share-based payments	**2,833**	4,438
Operating cash flows before movements in working capital	**50,845**	42,279
(Increase) decrease in rental and utility deposits	**(2,533)**	203
Decrease (increase) in amounts due from customers for contract work	**19,578**	(4,529)
Decrease in progress billings receivable from contract customers	**2,790**	156
Decrease (increase) in deposits, prepayments and other receivables	**725**	(917)
Increase in trade payables	**1,078**	516
(Decrease) increase in accruals and other payables	**(1,504)**	17,800
Decrease in amounts due to customers for contract work	**(31,448)**	(20,855)
Cash generated from operations	**39,531**	34,653
Interest paid	**(629)**	(32)
Income taxes paid	**(14,285)**	(6,427)
Net cash from operating activities	**24,617**	28,194
Investing activities		
Purchases of available-for-sale investments	**(67,578)**	–
Purchases of property, plant and equipment	**(14,000)**	(2,186)
Purchases of intangible assets	**(694)**	(77)
Net cash inflow on acquisition of subsidiaries (Note 34)	**10,234**	–
Interest received	**2,250**	298
Capital contribution from non-controlling interests	**430**	195
Net cash outflow on disposal of a subsidiary (Note 35)	**–**	(1,936)
Withdrawal of pledge bank deposits	**–**	2,546
Net cash used in investing activities	**(69,358)**	(1,160)

	2017 HK$'000	2016 HK$'000
Financing activities		
Proceeds from issue of new shares	**145,772**	–
New bank borrowings raised	**35,350**	–
Proceeds from exercise of share options	**21,467**	4,217
Dividends paid	**(8,331)**	(3,882)
Repayment of obligations under finance leases	**(306)**	(370)
Net cash from (used in) financing activities	**193,952**	(35)
Net increase in cash and cash equivalents	**149,211**	26,999
Cash and cash equivalents at beginning of the year	**83,104**	58,116
Effect of foreign exchange rate changes	**1,492**	(2,011)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**233,807**	83,104

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash charges. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Unsecured bank borrowings HK$'000 (Note 28)	Obligations under finance leases HK$'000 (Note 27)	Total HK$'000
At 1 January 2017	–	306	306
Financing cash flows	35,350	(306)	35,044
At 31 December 2017	35,350	–	35,350

1. GENERAL

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37.

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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the consolidated statement of cash flows. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the consolidated statement of cash flows, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised 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]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[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 9	Prepayment Features with Negative Compensation[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

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 2021.

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- 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, and that have 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 generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at 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; and

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

New and revised HKFRSs in issue but not yet effective (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 *Financial Instruments: Recognition and Measurement*. 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 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Listed debt instruments classified as available-for-sale investments carried at fair value as disclosed in note 17: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the listed debt instruments in the open market, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed debt instruments will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed debentures are derecognised or reclassified; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

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

New and revised HKFRSs in issue but not yet effective (Continued)

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 obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 establishes that revenue is recognised when the customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. Under HKFRS 15, revenue is either recognised over time or at a point of time while under HKAS 11, contract revenue is recognised by reference to the stage of completion. The directors of the Company expect that revenue will continue to be recognised as the contract progresses, broadly similar to the method under HKAS 11.

Therefore, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods, however, the directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures.

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.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 16 *Leases* (Continued)

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. Upon application of 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 by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$54,431,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of HK$7,862,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 item 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.

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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount 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 relevant subsidiary's net assets in the event of liquidation may be initially measured either at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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 (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

The Group's accounting policy for the recognition of revenue from comprehensive architectural services is described in the accounting policy for contracts of comprehensive architectural services below.

Service income is recognised when services are provided.

Dividend income from investments is recognised when the rights to receive payment have been established.

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.

Contracts of comprehensive architectural services

Where the outcome of a contract of comprehensive architectural services 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 services 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 received 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 as available-for-sale financial assets 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables.

Debt securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

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 and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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, 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 financial assets 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.

Objective evidence of impairment for a portfolio of 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, as well as 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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.

In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 Company are recognised at the proceeds received, net of direct issue costs.

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.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 39(c).

Financial liabilities at amortised cost

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

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 arising on the settlement of monetary items, and on the retranslation of 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 expenses 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 translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, 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), 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in 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 tax' 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 indefinite useful lives that are acquired separately are carried at cost less subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and 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. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

At the end of the 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, 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.

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 (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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

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.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. 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 Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over ISBIM Limited ("isBIM")

During the year ended 31 December 2017, the Group has subscribed for 49% of entire issued capital of isBIM and considered isBIM as a subsidiary of the Group.

Upon completion of the subscription, the Group entered into a shareholders' agreement (the "Shareholders' Agreement") with shareholders of isBIM. The principal rights of the Group in respect of isBIM pursuant to the Shareholders' Agreement are summarised below:

- The maximum number of directors of isBIM shall be five and the Group shall have the right to appoint and remove three directors and appoint the chairman of the board of directors of isBIM;
- Any resolutions of the directors in relation to the relevant activities of isBIM shall be decided by majority of the votes and each director shall have one vote; and
- The board of directors of isBIM shall direct the relevant activities of isBIM. Each shareholder shall procure isBIM to act in accordance with or do all necessary action to give effect to all decisions made by the board of directors of isBIM relating to the relevant activities.

The directors of the Company's assessment of control over isBIM is based on the Group's practical ability to direct the relevant activities of isBIM unilaterally. After taking into account of the principal rights of the Group in respect of isBIM set out in above, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of isBIM and therefore has control over isBIM.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Revenue recognition on contract work

The management estimates the amount of foreseeable losses or attributable profits of contract work including architecture, landscape architecture, town planning, interior design, heritage conservation and building information modelling services based on the latest available budgets of the contracts prepared by project team with reference to the overall performance of each contract work and the management's best estimates and judgments.

Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement. Notwithstanding that the management reviews and revises the estimates of contract costs for the contract 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 doubtful debts from contract customers is estimated based on the evaluation of collectibility and ageing analysis of individual trade debts performed by the management. A considerable amount of judgement 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 2017, the carrying amount of progress billings receivable from contract customers is HK$100,254,000 (2016: HK$100,815,000), net of allowance for doubtful debts of HK$2,433,000 (2016: HK$2,766,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from 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 2017, the carrying amount of goodwill is HK$31,688,000 (2016: HK$20,897,000). Details of impairment testing of goodwill are set out in note 15.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the contract revenue from comprehensive architectural services and building information modelling ("BIM") services recognised during the year.

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

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

During the year ended 31 December 2017, the Group acquired new business of BIM services which is detailed in note 34. The management of the Group has reassessed the Group's operations and measurement of financial performance assessment and identified the comprehensive architectural services business and BIM services business as two separate operating and reportable segments of the Group. Accordingly, the comparative information for the year ended 31 December 2016 has been re-presented to conform with the current year's presentation.

Segment revenue and results

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

For the year ended 31 December 2017

	Comprehensive architectural services HK$'000	BIM services HK$'000	Total HK$'000
Segment revenue			
Architecture services	**385,092**	**–**	**385,092**
Landscape architecture, town planning, interior design and heritage conservation services	**67,740**	**–**	**67,740**
BIM services	**–**	**2,936**	**2,936**
External revenue	**452,832**	**2,936**	**455,768**
Segment results			
Reportable segment results	**49,234**	**1,223**	**50,457**
Reconciliation			
Unallocated other income			**1,969**
Other unallocated corporate expenses			**(10,643)**
Consolidated profit before tax			**41,783**

5. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2016

	Comprehensive architectural services HK$'000	BIM services HK$'000	Total HK$'000
Segment revenue			
Architecture services	310,245	–	310,245
Landscape architecture, town planning, interior design and heritage conservation services	48,699	–	48,699
External revenue	358,944	–	358,944
Segment results			
Reportable segment results	29,273	–	29,273
Reconciliation			
Unallocated other income			193
Other unallocated corporate expenses			(3,144)
Consolidated profit before tax			26,322

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit from each segment without allocation of other income and corporate expenses incurred by the Company. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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 and available-for-sale investments.

	Revenue from external customers		Non-current assets	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Place of domicile of group entities:				
Hong Kong	**159,482**	149,207	**52,853**	26,730
The PRC	**201,057**	143,920	**12,404**	11,483
Others	**10,453**	1,277	**957**	1,074
Foreign locations/countries (note):				
The PRC	**84,170**	62,346	**–**	–
Others	**606**	2,194	**–**	–
	455,768	358,944	**66,214**	39,287

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

Information about major customers

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

	2017 HK$'000	2016 HK$'000
Customer A	**49,272**	37,041

6. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Interest income from available-for-sale investments	**1,395**	–
Interest income on bank deposits	**855**	298
Others	**17**	–
	2,267	298

7. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Loss on disposal of a subsidiary (Note 35)	**–**	(867)
Loss on disposal/written off of property, plant and equipment	**(997)**	(145)
Reversal (provision) of allowance for doubtful debts	**407**	(2,502)
Written off of bad debts	**(307)**	(449)
Net foreign exchange gain (loss)	**2,686**	(1,960)
Fair value loss on held-for-trading investments	**–**	(121)
	1,789	(6,044)

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest expense on:		
Bank overdraft and borrowings	**622**	3
Obligations under finance leases	**7**	29
	629	32

9. PROFIT BEFORE TAX

	2017 HK$'000	2016 HK$'000
Profit before tax has been arrived at after charging:		
Auditor's remuneration (including remuneration for non-audit services)	**1,510**	1,378
Depreciation of property, plant and equipment	**6,622**	7,408
Amortisation of intangible assets (Note 1)	**331**	293
Operating lease payments (Note 2)	**31,018**	24,588
Staff costs		
– Salaries, allowances and other benefits	**278,732**	215,629
– Operating lease payments	**901**	816
– Contributions to retirement benefit schemes	**8,758**	6,741
– Equity-settled share-based payments	**2,833**	4,438
Total staff costs (including director's emoluments)	**291,224**	227,624

Notes:

(1) Included in cost of services.

(2) For the year ended 31 December 2017, the amount includes operating lease payments for staff quarters amounting to HK$901,000 (2016: HK$816,000), 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:

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Bonus *(Note 4)* HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2017					
Executive directors (Note 1)					
Mr. Liang Ronald	**1,200**	**7,017**	**2,801**	**96**	**11,114**
Mr. Liu Gui Sheng *(Note 5)*	**–**	**173**	**–**	**–**	**173**
Mr. Fu Chin Shing ("Mr. Fu") *(Note 2)*	**1,000**	**5,051**	**2,776**	**84**	**8,911**
Mr. Wang	**400**	**3,816**	**2,011**	**57**	**6,284**
Mr. Liu Yong *(Note 5)*	**–**	**49**	**–**	**–**	**49**
Mr. Ma Kwai Lam Lambert *(Note 5)*	**267**	**1,151**	**588**	**12**	**2,018**
Mr. He Xiao *(Note 7)*	**133**	**702**	**–**	**9**	**844**
Mr. Lo Kin Nang *(Note 7)*	**133**	**638**	**–**	**6**	**777**
Mr. Ng Kwok Fai *(Note 7)*	**133**	**638**	**–**	**6**	**777**
	3,266	**19,235**	**8,176**	**270**	**30,947**
Independent non-executive directors (Note 3)					
Mr. Lo Wai Hung	**168**	**–**	**–**	**–**	**168**
Mr. Wang Julius *(Note 8)*	**56**	**–**	**–**	**–**	**56**
Mr. Yu Chi Hang (alias, Yue Chi Hang)	**168**	**–**	**–**	**–**	**168**
Ms. Su Ling *(Note 6)*	**112**	**–**	**–**	**–**	**112**
	504	**–**	**–**	**–**	**504**
2016					
Executive directors (Note 1)					
Mr. Liang Ronald	–	11,974	4,816	96	16,886
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

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 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 2017 and 2016.

(5) Appointed as executive director of the Company on 1 May 2017.

(6) Appointed as independent non-executive director of the Company on 1 May 2017.

(7) Resigned as executive director of the Company on 1 May 2017.

(8) Resigned as independent non-executive director of the Company on 1 May 2017.

During the year ended 31 December 2017, Mr. Liu Gui Sheng and Mr. Liu Yong waived their entitled emoluments of HK$800,000 and HK$267,000, respectively for their capacity as executive directors of the Company. Other than Mr. Liu Gui Sheng and Mr. Liu Yong, no director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2017 and 2016.

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to any of the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five highest paid individuals in the Group, three (2016: five) are directors of the Company (including the Chief Executive officer of the Company) whose emoluments are set out above. The emoluments of the remaining two (2016: none) highest paid employees are as follows:

	HK$'000
Salaries, allowances and other benefits	**4,122**
Retirement benefit scheme contributions	**24**
	4,146

Their individual emoluments were within the range of HK$2,000,001 to HK$3,000,000.

11. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
The income tax expense (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	**929**	2,397
The PRC Enterprise Income Tax ("EIT")	**6,563**	5,072
(Over)underprovision of Hong Kong Profits Tax in prior years	**(769)**	324
	6,723	7,793
Deferred tax (Note 19):		
Current year	**1,705**	(1,120)
Attributable to change in tax rate	**–**	(617)
	1,705	(1,737)
	8,428	6,056

11. INCOME TAX EXPENSE (Continued)

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

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

梁黃顧建築設計（深圳）有限公司 ("LWK Architecture"), a subsidiary of the Company, satisfied the requirements of relevant local tax bureau authorities as a qualified enterprise in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and accordingly, is entitled to have a preferential EIT rate of 15% for both years. LWK Architecture was a non-wholly owned subsidiary of the Company for the year ended 31 December 2016 and became a wholly owned subsidiary of the Company during the year ended 31 December 2017.

Details of deferred taxation are set out in note 19.

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

	2017 **HK$'000**	2016 HK$'000
Profit before tax	**41,783**	26,322
Tax at the domestic income tax rate of 16.5% (2016: 16.5%) (note)	**6,894**	4,343
Tax effect of expenses not deductible for tax purpose	**1,810**	1,162
Tax effect of income not taxable for tax purpose	**(284)**	(104)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(408)**	(399)
Effect of different tax rates of profits generated in the PRC	**790**	757
Effect of change in applicable tax rate	**–**	(617)
Tax effect of tax losses not recognised	**358**	574
(Over)underprovision in prior years	**(769)**	324
Others	**37**	16
Income tax expense for the year	**8,428**	6,056

Note: The domestic tax rate (which is Hong Kong Profit Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

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:

	2017 HK$'000	2016 HK$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**33,491**	20,745
Number of shares:	**2017**	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	**258,962,289**	194,094,915
Effect of dilutive potential ordinary shares in respect of share options outstanding	**3,453,393**	3,870,150
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**262,415,682**	197,965,065

The computation of diluted earnings per share for the year ended 31 December 2017 does not assume the exercise of the Company's share options granted in 2016 and 2017 under the Share Option Scheme because the exercise price of those options was higher than the average market prices of shares for the year ended 31 December 2017.

The computation of diluted earnings per share for the year ended 31 December 2016 did 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 the year ended 31 December 2016.

13. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2016 final dividend of HK3.0 cents (2016: 2015 final dividend of HK2.0 cents) per share	**8,331**	3,882

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK4.0 cents (2016: final dividend in respect of the year ended 31 December 2016 of HK3.0 cents) per ordinary share, in an aggregate amount of HK$11,530,000 (2016: HK$5,887,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting. The dividends paid during the year for the final dividend in respect of the year ended 31 December 2016 was adjusted to HK$8,331,000 upon the enlarged issued ordinary shares during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 January 2016	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 (Note 35)	–	–	(386)	(386)
Exchange realignment	(290)	(998)	(5)	(1,293)
At 31 December 2016	12,602	30,457	1,888	44,947
Additions	7,926	8,234	–	16,160
Disposals/written off	(2,133)	(142)	–	(2,275)
Acquired upon acquisition of subsidiaries (Note 34)	–	80	–	80
Exchange realignment	289	1,054	–	1,343
At 31 December 2017	18,684	39,683	1,888	60,255
ACCUMULATED DEPRECIATION				
At 1 January 2016	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
Charge for the year	2,350	4,143	129	6,622
Eliminated on disposals/written off	(1,240)	(38)	–	(1,278)
Exchange realignment	178	751	6	935
At 31 December 2017	9,580	28,517	1,468	39,565
CARRYING VALUES				
At 31 December 2017	9,104	11,166	420	20,690
At 31 December 2016	4,310	6,796	555	11,661

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold improvements	20% or over the term of the lease, whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%

As at 31 December 2016, the net book value of furniture, fixtures and equipment included an amount of HK$313,000 which was held under finance leases. No items of property, plant and equipment are held under finance leases as at 31 December 2017.

15. GOODWILL

	LWK Architecture HK$'000	Cfu Come HK$'000	isBIM HK$'000	Total HK$'000
COST AND CARRYING VALUES				
At 1 January 2016	4,565	16,631	–	21,196
Exchange realignment	(299)	–	–	(299)
At 31 December 2016	4,266	16,631	–	20,897
Acquisition of isBIM (Note 34)	–	–	10,463	10,463
Exchange realignment	328	–	–	328
At 31 December 2017	4,594	16,631	10,463	31,688

For the purpose of impairment testing, goodwill and mobile application with indefinite useful life set out in note 16 have been allocated to three cash generating units, represented by LWK Architecture ("LWK Architecture CGU"), Cfu Come ("Cfu Come CGU") and isBIM ("isBIM CGU").

During the years ended 31 December 2017 and 2016, the management of the Group determines that there is no impairment of any of its cash-generating units containing goodwill or mobile application with indefinite useful life.

15. GOODWILL (Continued)

LWK Architecture CGU

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 services in the PRC.

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 the management covering a 5-year period, and discount rate of 19.13% as at 31 December 2017 and 2016. LWK Architecture's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. The growth rate is based 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 the management's expectations for the market development. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of LWK Architecture CGU to exceed its recoverable amount.

Cfu Come CGU

Goodwill arose from the acquisition of 80.5% equity interest in Cfu Come Limited ("Cfu Come") during the year ended 31 December 2015 which 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. Together with goodwill arising from the acquisition of Cfu Come, mobile application with indefinite useful life has been allocated to Cfu Come CGU for impairment testing purpose. Details of the mobile application with indefinite useful life are set out in note 16.

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 the management covering a 5-year period and discount rate of 35% as at 31 December 2017 and 2016. Cfu Come's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecast 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 Cfu Come's past performance and the management's expectations for the market development. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Cfu Come CGU to exceed its recoverable amount.

15. GOODWILL (Continued)

isBIM CGU

Goodwill arose from the acquisition of 49% equity interest in isBIM during the year ended 31 December 2017 which is engaged in BIM software developing, BIM consultancy services and BIM professional training services.

The recoverable amount of isBIM CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period, and discount rate of 19.0%. isBIM's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts 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 isBIM's past performance and the management's expectations for the market development. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of isBIM CGU to exceed its recoverable amount.

16. INTANGIBLE ASSETS

	License HK$'000	Customer relationship HK$'000	Club membership HK$'000	Mobile application HK$'000	Total HK$'000
COST					
At 1 January 2016	4,548	–	569	200	5,317
Additions	–	–	–	77	77
Exchange realignment	(298)	–	–	–	(298)
At 31 December 2016	4,250	–	569	277	5,096
Additions	–	–	–	694	694
Acquired upon acquisition of subsidiaries (Note 34)	–	4,023	–	–	4,023
Exchange realignment	327	–	–	–	327
At 31 December 2017	4,577	4,023	569	971	10,140
AMORTISATION					
At 1 January 2016	3,725	–	–	–	3,725
Charge for the year	293	–	–	–	293
Exchange realignment	(258)	–	–	–	(258)
At 31 December 2016	3,760	–	–	–	3,760
Charge for the year	289	42	–	–	331
Exchange realignment	301	–	–	–	301
At 31 December 2017	4,350	42	–	–	4,392
CARRYING VALUES					
At 31 December 2017	227	3,981	569	971	5,748
At 31 December 2016	490	–	569	277	1,336

The license is amortised over its remaining license period of five years expiring in September 2018. Customer relationship is amortised on a straight-line basis over eight years. Club membership and mobile application having an indefinite useful life are stated at cost less accumulated impairment losses.

17. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31 December 2017 comprise of listed debt securities in Hong Kong (classified as Level 1 fair value measurement and is derived from quoted market price).

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Rental and utility deposits paid	**8,165**	5,471
Prepayments	**528**	403
Advances to employees	**1,491**	761
Other receivables	**3,396**	4,186
	13,580	10,821
Analysed for reporting purposes as:		
Non-current assets	**8,088**	5,393
Current assets	**5,492**	5,428
	13,580	10,821

19. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Amounts due from/to customers for contract work HK$'000	Intangible assets HK$'000	Fair value adjustments on contracts in progress HK$'000	Share option vested but not yet exercised HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016	(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)
(Charge) credit to profit or loss	(749)	168	(64)	4	(651)	(413)	(1,705)
Initial recognition upon acquisition of subsidiaries (Note 34)	–	–	(664)	(858)	–	–	(1,522)
Exchange realignment	–	–	(4)	–	–	–	(4)
At 31 December 2017	(572)	(1,813)	(852)	(854)	275	–	(3,816)

19. 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:

	2017 **HK$'000**	2016 HK$'000
Deferred tax assets	**–**	1,496
Deferred tax liabilities	**(3,816)**	(2,081)
	(3,816)	(585)

No deferred tax asset has been recognised in respect of the unutilised tax losses of HK$8,995,000 (2016: HK$6,825,000) and allowance for doubtful debts of a PRC subsidiary of HK$405,000 (2016: HK$264,000) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to HK$68,502,000 (2016: HK$42,428,000) 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.

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

	2017 HK$'000	2016 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits less recognised losses	**1,795,970**	1,541,883
Less: Progress billings	**(1,720,244)**	(1,488,276)
	75,726	53,607
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**139,965**	143,001
Amounts due to customers for contract work	**(64,239)**	(89,394)
	75,726	53,607

As at 31 December 2017, advances and deposits received from customers for contract work amounted to HK$16,974,000 (2016: HK$36,647,000) and are included in accruals and other payables.

21. PROGRESS BILLINGS RECEIVABLE FROM CONTRACT CUSTOMERS

	2017 HK$'000	2016 HK$'000
Progress billings receivable	**102,687**	103,581
Less: Allowance for doubtful debts	**(2,433)**	(2,766)
	100,254	100,815

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

	2017 HK$'000	2016 HK$'000
At beginning of the year	**2,766**	1,328
(Reversed) provided during the year	**(407)**	2,502
Written off during the year	**(77)**	(1,047)
Exchange realignment	**151**	(17)
At end of the year	**2,433**	2,766

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 potential 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 2017, included in the allowance for doubtful debts are individually impaired progress billings receivable of HK$2,433,000 (2016: HK$2,766,000) which have 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 contracts. 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:

	2017 **HK$'000**	2016 HK$'000
Within 30 days	**26,999**	22,739
Over 30 days and within 90 days	**33,741**	18,613
Over 90 days and within 180 days	**16,644**	11,623
Over 180 days	**22,870**	47,840
	100,254	100,815

As at 31 December 2017, included in the Group's progress billings receivable balance are debtors with aggregate carrying amount of HK$31,646,000 (2016: HK$69,286,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts.

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

	2017 **HK$'000**	2016 HK$'000
Overdue		
Within 30 days	**5,436**	9,961
Over 30 days and within 90 days	**11,389**	9,638
Over 90 days and within 180 days	**4,296**	5,325
Over 180 days	**10,525**	44,362
	31,646	69,286

In respect of progress billings receivable which are past due over 180 days with carrying amount of HK$10,525,000 (2016: HK$44,362,000), the Group has received HK$5,303,000 (2016: HK$29,667,000) from customers as security deposit for the contract work over these progress billings receivable, which are included in accruals and other payables.

22. OTHER CURRENT ASSETS

Amount represents carrying value of properties held for sale located in the PRC at the end of the reporting period.

23. BANK BALANCES AND CASH

As at 31 December 2017, bank balances carry interest at market rates which range from 0.01% to 5.00% (2016: 0.01% to 5.55%) per annum.

24. TRADE PAYABLES

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

	2017 **HK$'000**	2016 HK$'000
Within 30 days	**2,777**	2,217
Over 30 days and within 90 days	**129**	1,077
Over 90 days	**1,808**	187
	4,714	3,481

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.

25. ACCRUALS AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Accrued payroll costs and bonuses	**50,052**	27,459
Deposits received from customers	**16,974**	36,647
The PRC other tax payables	**1,763**	765
Accrued expenses and other payables	**17,624**	7,201
	86,413	72,072

26. CONTINGENT CONSIDERATION PAYABLE

Amount represents fair value of contingent consideration payable for the subscription of 49% of enlarged share capital of isBIM during the year. Further details are set out in note 34.

27. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2016, the Group had leased certain of its office equipment under finance leases. The lease term was 5 years. Interest rate underlying the obligations under finance leases was fixed at the contract date at 5.84% per annum. The obligations under finance leases were fully repaid during the current year.

	Minium lease payments 2016 HK$'000	**Present value of minimum lease payments** 2016 HK$'000
Obligations under finance leases payable:		
Within one year	313	306
Less: Future finance charges	(7)	–
Present value of lease obligations	306	306
Less: Amount due for settlement within 12 months (shown under current liabilities)		(306)
Amount due for settlement after 12 months		–

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

28. UNSECURED BANK BORROWINGS

Amount represents short term revolving bank borrowings which are unsecured and carry interest at variable market rate at a premium over Hong Kong Interbank Offered Rate ("HIBOR"). The range of effective interest rates on the bank borrowings are 3.26% to 3.31% per annum.

All the Group's bank borrowings are revolved on a monthly basis with a repayment on demand clause set out in the loan agreements.

29. ISSUED CAPITAL

Ordinary shares of HK$0.01 each	Number of shares	Share capital HK$'000
Authorised		
At 1 January 2016, 31 December 2016 and 2017	1,000,000,000	10,000
Issued and fully paid		
At 1 January 2016	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
Issue of new shares (note)	79,473,780	795
Issue of shares upon exercise of share options	12,570,000	126
At 31 December 2017	288,260,780	2,883

Note: On 24 February 2017, the Company entered into the subscription agreement, pursuant to which 79,473,780 new shares of the Company would be allotted and issued to Beijing Design Group Company Limited, an indirect wholly owned subsidiary of Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("BMEDI"), at the subscription price of HK$1.99 per share. The completion of the share subscription took place on 6 April 2017. Gross proceeds received from the subscription was HK$158,153,000 and transaction costs amounting to HK$12,381,000 was incurred.

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 2017 and 2016.

30. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2017 HK$'000	2016 HK$'000
Within one year	**27,843**	20,026
In the second to fifth years inclusive	**26,588**	27,335
Total	**54,431**	47,361

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.

31. RETIREMENT BENEFIT SCHEMES

For the operations in Hong Kong, the Group participates in Mandatory Provident Fund Scheme 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 Scheme.

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 2017, the retirement benefit scheme contributions made by the Group amounted to HK$8,758,000 (2016: HK$6,741,000).

32. RELATED PARTY TRANSACTIONS

During the year, the Group recognised revenue of HK$5,926,000 from its comprehensive architectural services provided to BMEDI and its subsidiaries. There is no outstanding balance receivable from BMEDI and its subsidiaries at the end of the reporting period. BMEDI is a substantial shareholder of the Company.

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

33. 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.

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share Option Scheme (Continued)

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

Grant	Grantee	Date of grant	Number of options granted	Vesting period	Exercise period	Exercise price	Fair value at grant date
2015 Grant	Executive directors	9 September 2015	6,300,000	9 September 2015 to 8 December 2016 (Note a)	9 September 2016 to 8 September 2017 (Note b)	HK$2.25	HK$0.47
2015 Grant	Other employees	9 September 2015	2,500,000	9 September 2015 to 8 December 2016 (Note a)	9 September 2016 to 8 September 2017 (Note b)	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
2017 Grant 1	Consultants	3 April 2017	3,800,000	3 April 2017 to 2 April 2019	3 April 2019 to 2 April 2020	HK$3.29	HK$0.87
2017 Grant 2	Executive directors	28 September 2017	10,800,000	28 September 2017 to 27 September 2022	28 September 2022 to 27 September 2024	HK$2.49	HK$0.96
2017 Grant 2	Executive directors	28 September 2017	3,100,000	28 September 2017 to 27 September 2020	28 September 2020 to 27 September 2022	HK$2.49	HK$0.85
2017 Grant 2	Other employees	28 September 2017	11,460,000	28 September 2017 to 27 September 2020	28 September 2020 to 27 September 2022	HK$2.49	HK$0.85

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.

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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	Grantee	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

The following table discloses movements of the Company's share options held by employees, directors and consultants during the year ended 31 December 2017. On 3 April 2017 and 28 September 2017, 3,800,000 and 25,360,000 options were granted under the Share Option Scheme, respectively and the aggregate estimated fair values of the options granted on those dates are HK$3,313,000 and HK$22,791,000, respectively.

	Outstanding at 1.1.2017	Granted during the year	Exercised during the year	Lapsed/ Forfeited during the year	Outstanding at 31.12.2017
Pre–IPO Grant	4,800,000	–	(4,800,000)	–	–
2015 Grant	8,650,000	–	(7,770,000)	(880,000)	–
2016 Grant	2,600,000	–	–	–	2,600,000
2017 Grant 1	–	3,800,000	–	–	3,800,000
2017 Grant 2	–	25,360,000	–	–	25,360,000
	16,050,000	29,160,000	(12,570,000)	(880,000)	31,760,000
Exercisable at the end of the year					2,600,000
Weighted average exercise price	HK$1.91	HK$2.59	HK$1.71	HK$2.25	HK$2.61

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

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

	Outstanding at 1.1.2016	Granted during the year	Exercised during the year	Lapsed/ Forfeited 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

Fair values at grant dates of the 2016 Grant, 2017 Grant 1 and 2017 Grant 2 were calculated using the Binomial option pricing model. The major inputs into the model were as follows:

	2016 Grant	**2017 Grant 1**	**2017 Grant 2**	
	Consultants	**Consultants**	**Executive directors**	**Executive directors and other employees**
Exercise price	HK$2.80	HK$3.29	HK$2.49	HK$2.49
Expected volatility	38.99%	39.72%	40.47%	41.57%
Expected life	2.7 years	3 years	7 years	5 years
Risk-free rate	1.03%	1.15%	1.52%	1.35%
Expected dividend yield	1.12%	0.91%	1.20%	1.20%

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 the management's best estimate, for the effects 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$2,833,000 (2016: HK$4,438,000) for the year ended 31 December 2017 in relation to share options granted by the Company.

34. ACQUISITION OF isBIM

On 29 November 2017, the Group has subscribed for 49% of enlarged issued share capital of isBIM . isBIM and its subsidiary are engaged in the provision of BIM consultancy services, BIM professional training services and BIM software developing. isBIM was acquired so as to upgrade the Group's comprehensive architectural services to its customers, which BIM technology enables the Group to provide systematic intelligent information and analysis during the entire process of its design services.

The subscription was satisfied by cash consideration of HK$20,580,000. Pursuant to the deed of subscription, the Group will further contribute not more than HK$13,720,000 to isBIM should the adjusted consolidated profit of isBIM and its subsidiary for the six months ending 30 June 2018 is higher than HK$1,500,000. The expected future economic benefits that will flow out of the Group arising from such arrangement are considered as a contingent consideration. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination.

The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$10,463,000. Acquisition-related costs amounting to HK$138,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year.

Under the contractual agreement with the non-controlling shareholders, decisions on the relevant activities of isBIM and its subsidiary shall be directed by the Group. Accordingly, the directors of the Company consider the Group has control over isBIM and therefore isBIM is a 49% non-wholly owned subsidiary of the Group.

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

	HK$'000
Property, plant and equipment	80
Intangible assets	4,023
Trade and other receivables	4,164
Amount due from customers for contract work	10,654
Bank balances and cash	30,814
Amount due to customers for contract work	(1,289)
Trade and other payables	(12,175)
Income tax payable	(225)
Deferred tax liabilities	(1,522)
	34,524
Less: Non-controlling interests (51% in isBIM)	(17,607)
Net assets acquired	16,917

34. ACQUISITION OF isBIM (Continued)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	20,580
Contingent consideration payable (Note 26)	6,800
Less: Net assets acquired	(16,917)
Goodwill arising on acquisition	10,463

The non-controlling interests recognised at the acquisition date were measured with reference to the non-controlling interests' proportionate share of fair value of the net assets at that date.

Goodwill arose in the acquisition of isBIM because the cost of the combination effectively included amounts in relation to the benefit of expected synergies brought to the comprehensive architectural services of the Group, the control premium, future revenue growth, future market development and the assembled workforce of isBIM. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

An analysis of the cash flows in respect of the acquisition is as follows:

	HK$'000
Bank balances and cash acquired	30,814
Less: Cash consideration paid	(20,580)
Net cash inflow	10,234

Included in the profit for the year is profit of HK$1,136,000 attributable to the additional business generated by isBIM. Revenue for the year includes HK$2,936,000 generated from isBIM.

Had the acquisition been completed on 1 January 2017, total group revenue for the year would have been HK$478,468,000, and profit for the year would have been HK$34,144,000. 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 2017, nor is it intended to be a projection of future results.

35. 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 梁黃顧設計顧問(深圳)有限公司 ("LWK Consultancy") would no longer be a contracting party for the Group's PRC 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 transaction are as follows:	
Property, plant and equipment	386
Held-for-trading investments	622
Deposit, prepayments and other receivables	349
Bank balances and cash	3,174
Trade payables	(1,469)
Accruals 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 translation 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
Less: Bank balances and cash disposed of	(3,174)
	(1,936)

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of isBIM, a 49% owned subsidiary that has material non-controlling interests are set out below:

	2017 **HK$'000**
Profit for the year allocated to non-controlling interests	**579**
Accumulated balance of non-controlling interests at the reporting date	**18,208**

The following table illustrates the summarised consolidated financial information of isBIM which were included in the consolidated financial statements of the Group:

	2017 **HK$'000**
Revenue	**3,153**
Total expenses	**(1,656)**
Profit for the year	**1,136**
Total comprehensive income for the year	**1,178**
Current assets	**47,341**
Non-current assets	**4,141**
Current liabilities	**(14,269)**
Non-current liabilities	**(1,511)**
Net increase in cash and cash equivalents, represented by net cash inflow from operating activities	**290**

Note: The amounts disclosed above are before any inter-company eliminations.

The amounts disclosed above represent post-acquisition results of isBIM.

37. 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 owned by the Group 2017	2016	Issued and fully paid share capital/paid up registered capital	Principal activities
LWK & Partners (HK) Limited ("LWK Hong Kong")	Hong Kong 19 October 1995	Hong Kong	**100%**	100%	HK$1,000,000	Provision of comprehensive architectural services and investment holding
LWK Architecture	The PRC 24 September 1986 (Note a)	The PRC	**100% (Note a)**	99%	RMB10,000,000	Provision of comprehensive architectural services
Cfu Come	Hong Kong 6 July 2015	Hong Kong	**84.4% (Note b)**	80.5%	HK$7,725,000	Provision of repair and fitting out works and operation of related mobile application
isBIM	Hong Kong 12 February 2010	Hong Kong	**49% (Note c)**	–	HK$20,590,200	BIM software developing, BIM consultancy services and BIM professional training services

Notes:

(a) The Group acquired the remaining 1% equity interest in LWK Architecture during the year ended 31 December 2017, and accordingly, LWK Architecture is registered as a wholly foreign owned enterprise under the laws of the PRC.

(b) The equity interest held by the Group in Cfu Come was increased from 80.5% to 84.4% during the year ended 31 December 2017.

(c) The Group has subscribed for 49% of enlarged issued share capital of this subsidiary during the year ended 31 December 2017.

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

38. 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 net debt, which includes the unsecured bank borrowings disclosed in note 28, net of cash and cash equivalents and 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, new share issues as well as issue of new debt or redemption of existing debt.

39. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Available-for-sale investments	**66,618**	–
Loans and receivables (including cash and cash equivalents)	**338,948**	188,866
	405,566	188,866
Financial liabilities		
FVTPL	**6,800**	–
Amortised cost	**74,662**	47,329
Obligations under finance leases	**–**	306
	81,462	47,635

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, progress billings receivable from contract customers, other receivables, bank balances and cash, trade payables, other payables, contingent consideration payable, obligations under finance leases and unsecured bank borrowings.

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 and other price risk), 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.

39. 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 bank balances and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's HK$ denominated bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2017 would decrease/increase by HK$148,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

No sensitivity analysis is presented for the year ended 31 December 2016 as the Group did not have any outstanding bank borrowings as at 31 December 2016.

Currency risk

Certain available-for-sale investments, progress billings receivable from contract customers, bank balances and cash and other payables of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**65,553**	69,196	**(12,178)**	(35,469)
Japanese yen ("YEN")	**1,379**	–	**–**	–
United States dollars ("US$")	**71,286**	3,547	**–**	–
	138,218	72,743	**(12,178)**	(35,469)

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

LWK Hong Kong, a wholly owned subsidiary of the Company, of which its functional currency is HK$, has amount due from LWK Architecture as at 31 December 2017 which is denominated in RMB. As at 31 December 2017, the aggregate foreign currency denominated intra-group balance is HK$2,780,000 (2016: nil).

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

Sensitivity analysis

The Group is mainly exposed to the currency of RMB and YEN. Since the functional currency of the relevant group entities of HK$ is pegged to the foreign currency of US$, the management does not expect significant foreign exchange exposure in relation to the exchange rate fluctuation between HK$ and US$. The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in HK$ against foreign currencies. 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 balance 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 foreign currencies. For a 5% strengthening of HK$ against foreign currencies, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

	2017 **HK$'000**	2016 HK$'000
Effect of post-tax profit	**2,402**	1,408

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 equity price risk through its available-for-sale investments. The management manages this exposure by monitoring its portfolio of investments.

Sensitivity analysis

If the market price of the investments had been 5% higher/lower, the Group's investment revaluation reserve as at 31 December 2017 would increase/decrease by HK$3,331,000, which would be recognised in profit or loss if the drop is considered as an impairment loss.

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement 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 receivable at the end of the 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.

As at 31 December 2017, the Group's concentration of credit risk by geographical locations of the projects is in the PRC, which accounted for HK$58,176,000 (2016: HK$71,793,000) of the total progress billings receivable from contract customers.

The Group has a concentration of credit risk from its major customers. For the year ended 31 December 2017, aggregate revenue from the top five customers of the Group accounted for 42.2% (2016: 37.2%) of the total revenue. Amounts due from them as at 31 December 2017 amounted to approximately HK$32,213,000 (2016: HK$50,327,000), representing 32.1% (2016: 49.9%) of the progress billings receivable. These major customers are mainly property developers in Hong Kong and the PRC 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. The management monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

At the end of the reporting period, the Group has available unutilised bank facilities of HK$34,650,000 (2016: HK$35,560,000). 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.

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the earliest date of which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate arrive at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted cash flows	Carrying amount at 31 December
	%	HK$'000	HK$'000	HK$'000
2017				
Trade payables	**–**	**4,714**	**4,714**	**4,714**
Other payables	**–**	**34,598**	**34,598**	**34,598**
Contingent consideration payable	**5.00**	**6,997**	**6,997**	**6,800**
Unsecured bank borrowings – variable rate	**3.29**	**35,350**	**35,350**	**35,350**
		81,659	**81,659**	**81,462**
2016				
Trade payables	–	3,481	3,481	3,481
Other payables	–	43,848	43,848	43,848
Obligations under finance leases	5.84	313	313	306
		47,642	47,642	47,635

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

39. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

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

Notes:

(i) Amount represents initial recognition of contingent consideration payable at fair value as described in note 26. No gain or loss for the current year relating to the contingent consideration payable has been recognised in profit or loss.

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

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

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

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.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**77,281**	74,404
Available-for-sale investments	**66,618**	–
	143,899	74,404
Current assets		
Other receivables	**1,888**	344
Amounts due from subsidiaries	**81,950**	42,833
Bank balances and cash	**75,768**	11,783
	159,606	54,960
Current liability		
Accruals	**327**	110
Net current assets	**159,279**	54,850
Net assets	**303,178**	129,254
Capital and reserves		
Issued capital	**2,883**	1,962
Reserves	**300,295**	127,292
Total equity	**303,178**	129,254

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

	Issued capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2016	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 payments	–	–	4,055	–	–	4,055
Exercise of share options	26	4,753	(562)	–	–	4,217
Forfeiture of share options	–	–	(59)	–	59	–
Dividends recognised as distribution	–	–	–	–	(3,882)	(3,882)
At 31 December 2016	1,962	112,224	5,857	–	9,211	129,254
Profit for the year	–	–	–	–	13,225	13,225
Fair value loss on available-for-sale investments	–	–	–	(1,042)	–	(1,042)
Total comprehensive (expense) income for the year	–	–	–	(1,042)	13,225	12,183
Issue of new shares	795	144,977	–	–	–	145,772
Recognition of equity-settled share-based payments	–	–	2,833	–	–	2,833
Exercise of share options	126	26,300	(4,959)	–	–	21,467
Lapse of share options	–	–	(418)	–	418	–
Dividends recognised as distribution	–	–	–	–	(8,331)	(8,331)
At 31 December 2017	2,883	283,501	3,313	(1,042)	14,523	303,178

FINANCIAL SUMMARY

	For the year ended 31 December 2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
RESULTS					
Revenue	324,007	384,384	354,799	358,944	**455,768**
Profit for the year	11,172	28,291	27,089	20,266	**33,355**
Earnings per share					
Basics (HK cents)	6.6	16.0	15.3	10.7	**12.9**
Diluted (HK cents)	6.6	15.9	14.7	10.5	**12.8**

	As at 31 December 2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	299,141	339,702	363,054	373,131	**617,691**
Total liabilities	(197,411)	(209,513)	(182,723)	(174,145)	**(203,499)**
	101,730	130,189	180,331	198,986	**414,192**
Equity attribute to owners of the Company	101,577	130,539	180,680	199,266	**397,414**
Non-controlling interests	153	(350)	(349)	(280)	**16,778**
	101,730	130,189	180,331	198,986	**414,192**