C CHENG HOLDINGS LIMITED 思城控股有限公司

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

2018 ANNUAL REPORT


PROFESSIONALISM
forges Quality
INNOVATION
leads Development
INTEGRATION
makes Dreams
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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

15/F
North Tower World Finance Centre
Harbour City
Tsim Sha Tsui
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
Suites 3301-04
33/F
Two Chinachem Exchange Square
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North Point
Hong Kong

HONG KONG LEGAL ADVISER

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

PRINCIPAL BANKERS

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

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

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

AUDITOR

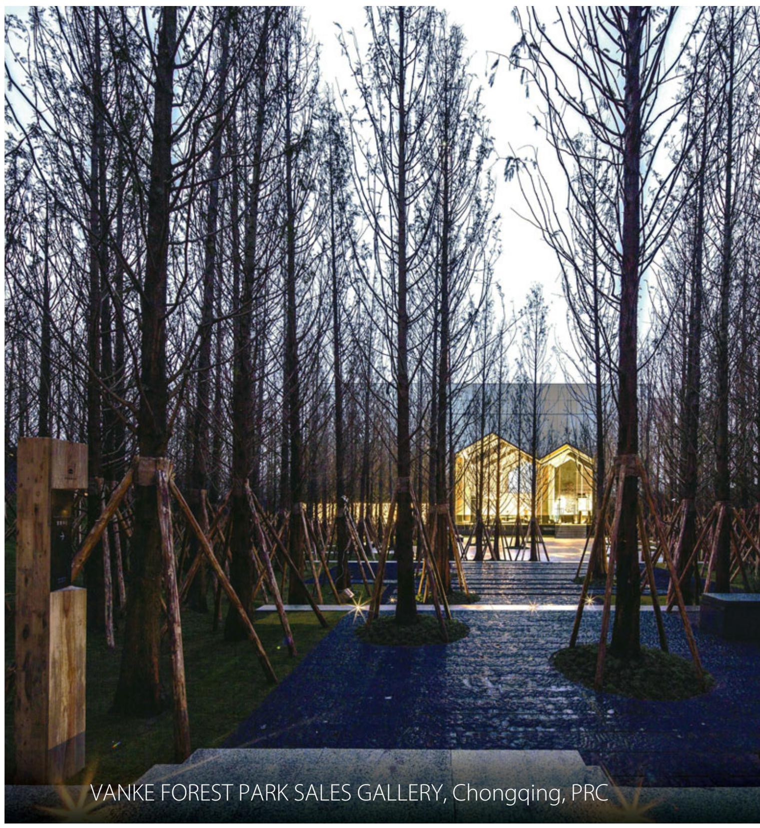
Deloitte Touche Tohmatsu
Certified Public Accountants
35/F
One Pacific Place
88 Queensway
Admiralty
Hong Kong

STOCK CODE

1486

CORPORATE WEBSITE

www.cchengholdings.com



VANKE FOREST PARK SALES GALLERY, Chongqing, PRC

CHAIRMAN'S Statement

HENGQIN iCITY, Zhuhai, PRC

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of C Cheng Holdings Limited (the "Company"), I am pleased to present the annual report, together with its subsidiaries, (the "Group") for the year ended 31 December 2018.

GENERAL OVERVIEW

I am pleased to report that 2018 was another year of expansion and growth for our Group. I am also happy to celebrate the 33rd anniversary of LWK, the major subsidiary of the Group, that has been constantly growing both in its scale and capabilities.

In terms of revenue and net profit, we have achieved 47.4% and 53.4% growth, respectively and the total new & supplementary contracts secured and the remaining contract sums amounted to HK$923 millions and HK$1,390 millions, respectively in 2018.

Our expansion comes with our concept of "Total Solutions", a cross-disciplinary combination which has successfully attracted new clients in Hong Kong, mainland China and overseas. The adding of new disciplines to our existing team and the support of our existing clients for which we are very grateful. We believe quality is not a skill, it is a mindset which we preach throughout our Group.

We are also delighted to report our rapid enhancement of our relationship with our major shareholder and strategic investor, Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("BMEDI"). We were able to develop and market, another new concept, our combined strategy of providing Total Solutions involving economics analysis, architecture, technology (together with our acquired subsidiary, isBIM Limited) and infrastructure disciplines together.

In this connection, our Group has gained inroads and entry into mainland China government projects particularly in transit-oriented development ("TOD") projects and urban studies of new and existing townships.

Furthermore, our combined strategy and initiatives with our practices will no doubt be extremely relevant and aligned with the overall central government policy initiatives such as the Development of the Guangdong-Hong Kong-Macau Greater Bay Area and Xiong An New District. Our combined home-grown expertise with international experience will provide a further option for mainland China government which previously had very few options, if there was any.

In 2018, not only have we expanded all our existing disciplines and branches, but at the same time, we have opened new offices in Dubai and Beijing. We have also established the Greater Bay Area Innovation Center in Shenzhen in November, which is positioned to accommodate various demands of urban development and interconnectivities among Greater Bay Area cities.

Last year as in all previous years, our industry reputation is further enhanced by a number of awards presented to our Group both locally and overseas. In mainland China, our Group won a total of 23 prizes in the Kinpan Award under different residential and commercial categories, in spite of intense competitions. Our Group was ranked in second place of the architectural design standing in mainland China in the Kinpan Award. In another arena, since our last entry in the World Architecture 100 in 2017, we have in 2018 leapfrogged fifty five odd places to the 36th in this ranking. In PropertyGuru Asia Property Awards 2018, the Group have garnered 11 design recognitions covering retail, office, landscape, interior design, and architectural design.

FUTURE PROSPECTS

In the last 2 years, we have substantially expanded our office branches in the mainland China and overseas. We have also at the same time added a number of new professional disciplines to our Group. In this connection, our office had to take on a substantial number of new staff within the last 2 years. In 2019, we will endeavor to capture the essence of creating such a great team of people. We will be looking into the efficiency and profitability of our Group to create more sustainable benefits for our shareholders. In 2019, it is therefore a year of consolidation to ensure our return on investment over the last two years will be realised.

In November 2018, in setting up the Greater Bay Innovation Center in Shenzhen, we were in effect following the initiatives of the central government of creating a world-class city cluster within the pearl river delta among 11 cities including Hong Kong and Macau.

The central government policy on the Greater Bay Area Development is set in stone. We firmly believe that, other than the golden era from early 2000 when the mainland GDP were growing up by 8 to 10% per annum, the Greater Bay Area will be the very next golden era of rapid development within mainland China. With our 8 offices positioned in the region and supported by 5 branch offices in Greater Bay Area from BMEDI, we are well positioned to take advantage and create our next phase of expansion in the development of our Group.

The Greater Bay Area Innovation Center will house all the disciplines from our offices, our major investor plus all our joint venture partners to make it one of the most concentrated consultancies to service this region.

ACKNOWLEDGEMENT

On behalf of all members of the Board, I would like to express our sincere gratitude to our fellow directors, our new directors and all colleagues who had the courage to join our new concept of services. Your support and dedication is very much appreciated. The Board looks forward to working with all directors, to guide, to expand, to grow and to sustain our business for the benefit of all.

Last but not least, the Board also wishes to thank our shareholders and our clients for their faith and support throughout the year. We will at all times remain mindful that our task is to bring long lasting benefits and returns to all of our stakeholders.

Mr. Liang Ronald
Chairman

Hong Kong, 28 March 2019

MANAGEMENT DISCUSSION and ANALYSIS

COMMERCIAL

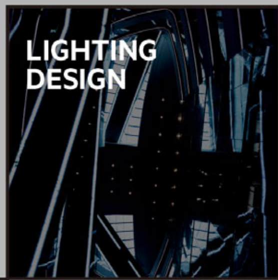
RESIDENTIAL

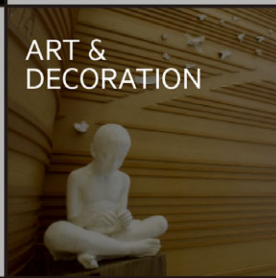
PROJECT
MANAGEMENT

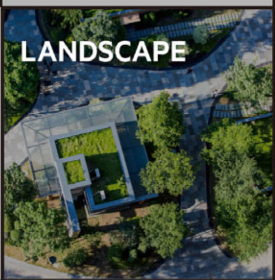
TOD

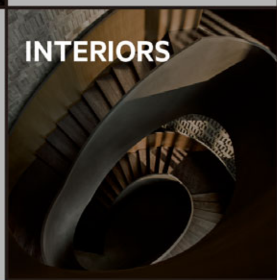
360° Services

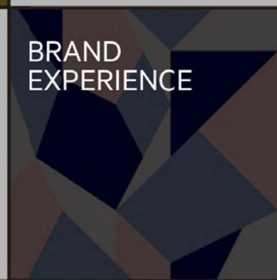
HEALTHCARE &
SENIOR HOUSING

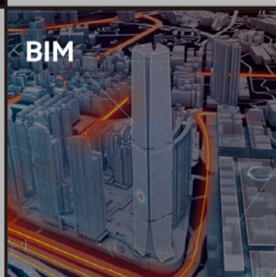




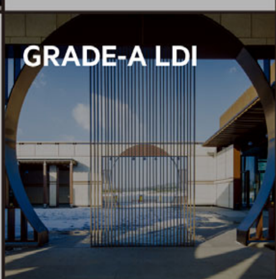








RESEARCH &
INNOVATION



INSTITUTIONAL

SALES
GALLERIES

CIVIC &
CULTURE

MANAGEMENT DISCUSSION AND ANALYSIS

2018 GROWTH

NET PROFIT Increased by 53.4%	REVENUE Increased by 47.4%	NET ASSET Increased by 8.8%
NEW CONTRACT Increased by 40.2%	REMAINING CONTRACT Increased by 18.2%	EARNINGS PER SHARE Increased by 26.4%
DIVIDEND PER SHARE Increased by 25.0%	GROSS PROFIT Increased by 70.4%	TOTAL ASSET Increased by 8.2%

BUSINESS REVIEW

Since April 2017, Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("BMEDI") became the substantial shareholder and strategic investor of the Group.

BMEDI is a wholly-owned subsidiary of Beijing Enterprises Group Company Limited, possessing grade A qualifications in 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 People's Republic of China (the "PRC"). 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. There will be more opportunities of the Group to come with the advancing of the "Belt and Road Initiative" as well as the "Guangdong-Hong Kong-Macau Greater Bay Area" development plan.

Greater Bay Area Innovation Centre

The establishment of the Greater Bay Area Innovation Centre ("GBA Inno Centre") with BMEDI in November 2018 has been another milestone of our strategic co-operation with BMEDI aiming at the expansion of the comprehensive high-quality services and stronger international presence and influence of the Group.

The GBA Inno Centre is an integrated development platform that gathers multi-disciplinary capabilities from the Group on architectural design, urban planning and building information modelling ("BIM"), along with engineering design expertise and experience from BMEDI in large-scale public infrastructures.

It is a forward-looking response to the national strategy in the Greater Bay Area Development. We are to spearhead data-based innovations for Smart Cities, offering urbanisation blueprints and solutions for a world-class city cluster across the region. This is also a magnet that welcomes forward-looking industry talents and scholars, to join hands with us to position the Greater Bay Area as a key link connecting cities in mainland China as well as the Belt and Road countries.

Since its establishment, the GBA Inno Centre has hosted a number of industry events that gathered great minds to meet, brainstorm and innovate, on the applications of BIM and data platform to streamline process of overall project management. The GBA Inno Centre will be the focal point of the Group to pioneer its cost-effective data-based solutions for our clients, and within the industry, to accelerate development of smart cities across the region.

Building Information Modelling

In 2018, *Adoption of BIM for Capital Works Projects in Hong Kong* was announced by the Development Bureau of the Government of Hong Kong Special Administrative Region. In PRC, BIM was also promoted and more common in these few years. 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. Since the of acquisition of a Hong Kong leading BIM consultancy service company, isBIM Limited ("isBIM") in November 2017, isBIM enhances the Group in technological capacities and upgrades customers' experience on comprehensive architectural services, from concept design to project completion, which can differentiate the Group from other competitors.

Year of Expansion

2018 continues to be another year of expansion of the Group. Not only has the Group extended its business penetration to Beijing, to cover northern regions near Beijing-Tianjin-Hebei of the PRC, but it has also established new office in Dubai this year. The Group has embarked on a new journey of development by heading global and international.

To fulfill the constant pursuit in providing multi-disciplinary "Total Solutions" to the ever changing market, the Group has gathered top-notch professionals in our traditional architectural design sector and set up new segments to cater for all-rounded services to the clients.

JIANGSHAN YUN CHU GALLERY, Chongqing, PRC

LANDMARK RIVERSIDE DANZISHI OLD STREET, Chongqing, PRC

Industry Recognition

In 2018, the Group continued to evolve into a more integrated and providing 360˚ services to the clients. The services of the Group have been recognised by the public and in the industry. LWK, the major subsidiary of the Group, placed a proud 36th world-wide in 2018 in *The World Architecture 100 2019* which was released near the end of 2018. By region, it is placed the 10th in the Pacific Rim and by sector, it is placed the 8th in the Residential Sector world-wide.

In the *PropertyGuru Asia Property Awards*, six of the projects won a total of 11 awards across five different sectors, including retail, office, landscape, interior design, and condo architectural design. LWK was also named, for the seventh time, one of the Top 10 Architects in the *BCI Asia Awards*. And, in the PRC, there was a total of 23 of the projects won different titles in 2018's *Kinpan Awards*, and hence LWK has a 2nd place of the award's annual overall ranking.

From local architecture awards to international design awards, the reputation is breaking through physical geographic boundaries and metaphorical typic boundaries to reach a much wider audience in the industry.

Comprehensive Architectural Services

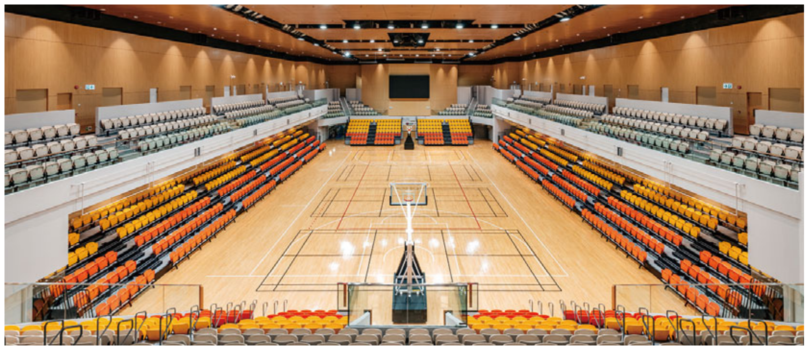
The Group's comprehensive architectural services continued its growth momentum in 2018. We have strengthened our market position as one of the leading comprehensive architectural service providers in Hong Kong and the PRC. During the year, our comprehensive architectural business contributed HK$628,543,000 in revenue, representing an increase of 38.8% when compared with HK$452,832,000 in 2017. The value of new and supplementary contracts of comprehensive architectural services totaled approximately HK$874,815,000 in 2018, as compared with HK$658,153,000 in 2017, representing an increase of 32.9%. As at 31 December 2018, the Group had remaining contract sums of approximately HK$1,338,323,000 from comprehensive architectural services, a 18.2% increase when compared with HK$1,131,777,000 in 2017.

As our main stream of practice, our traditional sector in architecture contributed approximately 86.9% of the revenue to our comprehensive architectural services. Riding on the strong momentum in recent years, our interior design team continued its growth curve and sustained a 28.1% growth in revenue in 2018. It has fulfilled rising market demands on urban renovation projects especially in offices and hospitality.

BIM Services

On 29 November 2017, the Group completed the acquisition of isBIM in order to extend the service scope to the BIM market. isBIM services cover BIM software development, BIM consultancy services and BIM professional training services, etc. The project nature of isBIM covers smart cities, government buildings, infrastructure and large-scale private property development. During the year of 2018, isBIM brought in full year revenue to the Group amounted to HK$43,055,000. The value of the new and supplementary contracts of isBIM totaled approximately HK$47,780,000 in 2018. Remaining contract sum as at 31 December 2018 was approximately HK$51,643,000. Together with the Group's experience and connections in our traditional architecture services, isBIM will be able to connect the existing architecture services of the Group and create extended value to the customers.

THE HUB, Wong Chuk Hang, Hong Kong



TSUEN WAN SPORTS CENTER, Tsuen Wan, Hong Kong

FINANCIAL OVERVIEW

Revenue

The Group successfully enhanced its business model by exploration of new business opportunities and diversification of business portfolios. A cross-disciplinary combination of our services brought in a record high value of new and supplementary contracts. During the year, the Group's revenue continued to surge rapidly to HK$671,598,000, compared with that of HK$455,768,000 in 2017, representing an increase of 47.4%.

Cost of services

Cost of services for the year of 2018 amounted to HK$472,037,000, when compared with that of HK$338,657,000 in 2017, representing an increase of 39.4%. Over 86% of such increment during the year is contributed by the increase in direct staff costs due to the Group's expansion on the professional since 2017 and early 2018.

Gross profit and gross profit margin

Gross profit for the year of 2018 amounted to HK$199,561,000, increased by 70.4% when compared with 2017. At the same time, gross profit margin of the Group increased from 25.7% to 29.7%. In 2017, the expansion of the professional team led to a significant staff costs and overhead increment, while revenue is yet to be reflected the same year. Since the professional team was in full deployment in 2018, the gross profit margin restores to normal.

Administrative expenses

Administrative expenses for the year of 2018 was amounted to HK$130,811,000, when compared with 2017 of HK$78,755,000, representing an increase of 66.1%. The increase was mainly attributable to the increase in expenses since our office expansion in the second half of 2017 such as the development of a business development team and a research team in order to further enhance the corporate culture and branding. In order to develop and promote the comprehensive architecture brand "LWK+" globally, there were more expenses for the re-branding and marketing activities during 2018. Moreover, other general expenses also increased due to addition in headcount in 2018.

Profit for the year

The profit for the year of 2018 was HK$51,182,000, a remarkable increment of 53.4% when compared to profit of HK$33,355,000 in 2017.

TOD PROJECT IN JIANGBEI NEW DISTRICT, Nanjing, PRC

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Current assets	**530,979**	484,859
Current liabilities	**214,037**	199,683
Current ratio	**2.48**	2.43

The current ratio of the Group at 31 December 2018 was 2.48 times as compared to that of 2.43 times at 31 December 2017. It was mainly resulted from the increase in trade receivable during the year.

As at 31 December 2018, the Group had total bank balances and cash of HK$182,104,000 (2017: HK$233,807,000). The unutilised banks' facility is HK$21,000,000 (2017: HK$34,650,000) as at 31 December 2018. The Group is having sufficient funding for future expansion and merger & acquisition plans.

As at 31 December 2018, the Group's gearing ratio is 12% (represented by unsecured bank borrowings divided by total equity).

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

Over the past two years, the Group has accelerated its growth, benefiting from the strategic partnership with BMEDI. We have formed an encompassing industry chain that integrates muti-disciplinary design consultancy services.

Our progress includes establishing new offices, building new teams such as medical architecture, mixed use commercial, and smart city planning. The Group has been strengthening its business operations and industry influence in the region, as well as diversifying its business portfolio, offering more effective services to clients. Furthermore, the acquisition of isBIM is conducive to enhance the Group's ability on design consultation and management efficiency. We have developed new revenue streams by pioneering applications of big data.

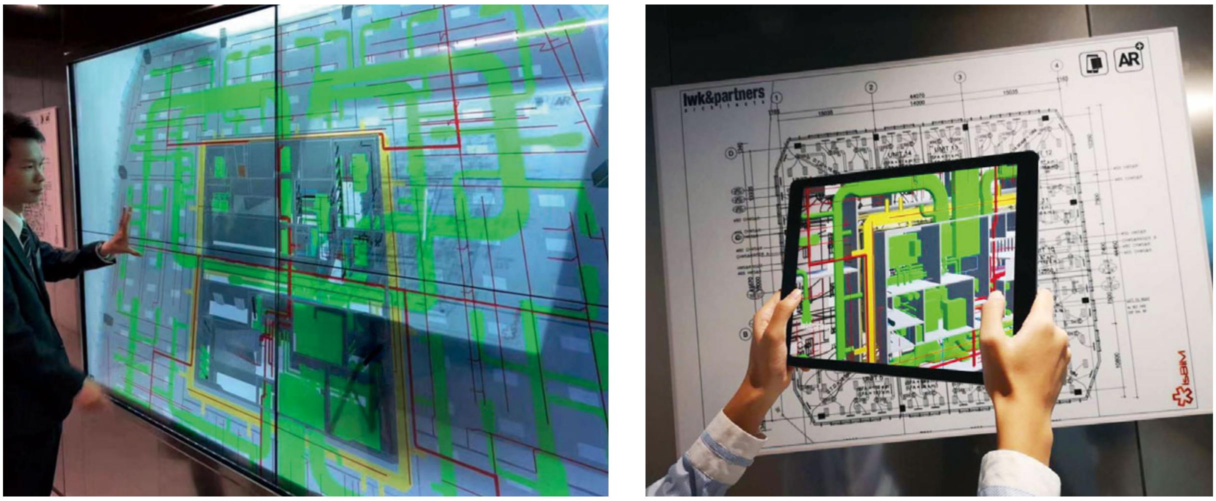
In the coming two years, the Group will focus on leveraging the competitive edge shaped by the newly developed service chain, in order to achieve excellence in business performance. We will focus on exerting our capabilities in comprehensive master planning, in order to provide clients with total solutions on complex technical problems in the early stage of project development, such as large-scale Transit-Oriented Development (TOD) projects. Early involvement driven by comprehensive master planning would increase the chance of obtaining various subsequent professional contracts on architecture design, information management, landscape design, interior design, and soft furnishings, etc..

The integrated services and data-based management of the Group are geared towards the favorable opportunities in the Greater Bay Area ("GBA"). The Group anticipates rich opportunities on construction and technology-led projects in GBA, has and we have formed our competitive advantage in terms of technology, scale, and operation model. By integration of cross-disciplinary cooperation and application of big data platform, the Group will proactively create market demand and thereby effectively improve our bid-hit ratio. Such operation model will be applied for our penetration into the Middle East market. With world-wide recognition on the technology and urbanisation experience developed by mainland China, the Group is optimistic in forming new segments that stimulate further business growth.

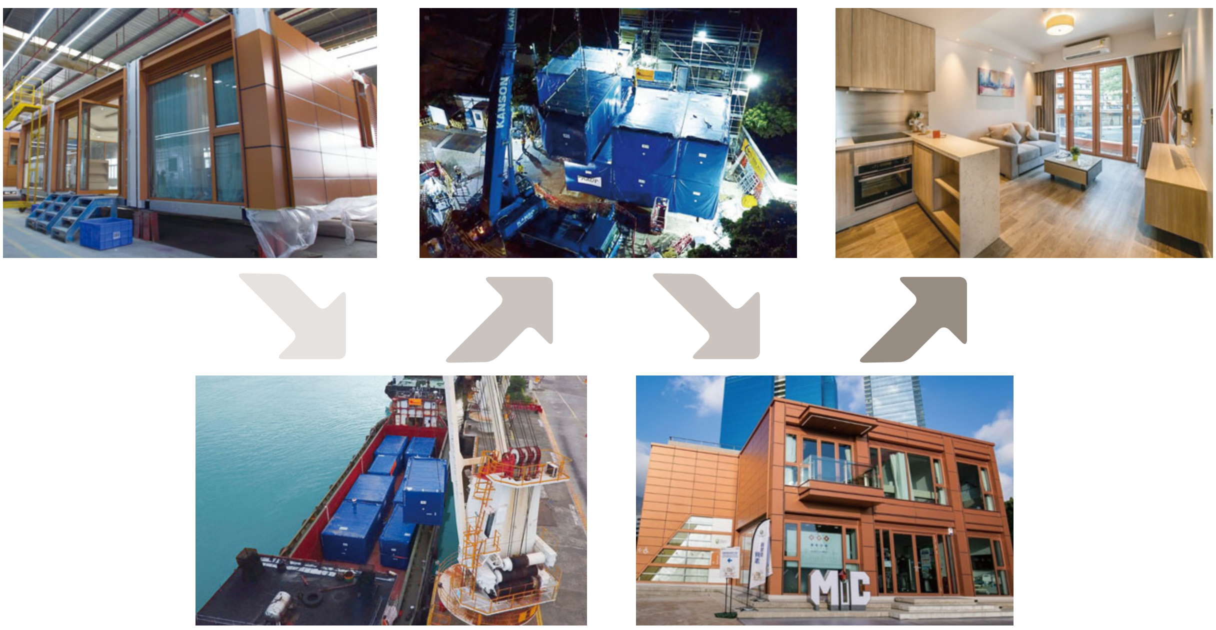
Last but not least, as mainland China is becoming more ambitious in promoting BIM technologies, Modular Integrated Construction (MiC), Design for Manufacturing and Assembly (DfMA), and Internet of Things (IoT) for its urbanisation plans, the Group expects that BIM services and related business on construction data will generate satisfactory growth and income for the Group.

TOD PROJECT IN Chengdu, PRC

BIM



MiC and DfMA




MENGZHUIWAN URBAN REGENERATION, Chengdu, PRC

DIVIDEND

The board has resolved to recommend a final dividend of HK2.0 cents per share for the year ended 31 December 2018 (2017: HK4.0 cents per share), subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM"). Together with the interim dividend of HK3.0 cents per share which were paid to the shareholders of the Company during the year, the total dividend for the year amounts to a total of HK5.0 cents per share.

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 Beijing Design Group Company Limited, a wholly owned subsidiary of BMEDI (the "Subscription") were approximately HK$145.8 million.

During the year ended 31 December 2018, 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 2018** *HK$ million*
For potential merger and acquisition of targets in the similar business of the Company for vertical integration strategies	126.8	**34.3**
To expand the offices of the Group in order to maximise the benefits from the established and expanding client network	13.0	**13.0**
To enhance the Company's information technology infrastructure and working capital	6.0	**6.0**
	145.8	**53.3**

TIANJIN BINHAI AREA AEROSPACE CITY, Tianjin, PRC

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. The Grade A Qualification in PRC has been renewed on November 2018 for 5 years. We will continue to monitor relevant licenses and permits renewal to ensure compliance with all relevant regulatory requirements.

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. We have assembled an array of design capabilities to make available our cross-disciplinary services. Also, we have expanded our business coverage to Southeast Asia and Middle East, so that our business portfolio and market penetration is diversified. Strategically, we are able to fully integrate technology into design solutions, which fortifies our leading position in the industry.

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. We see professional talents as our greatest asset, hence we have formed our staff retention strategy that includes a series of training and development program throughout the year to equip our staff with latest industry knowledge and insights. We would also arranged sports and leisure events to help create a work-life balance for our professionals.

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 senior management participate in project roadshows and industry regularly, to strengthen our positive corporate image and reputation; and at the same time, analyse feedback from our stakeholders timely. Moreover, we monitor our media publicity on a daily basis. We arrange media interviews and investor meetings every year to reinforce our business reputation.

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. We have set out a quality control mechanism to effectively shield our Group from any professional negligence. No claims related to professional liabilities have been received in previous years.

We may be exposed to risks of potential computer system failure and disruptions

Our work is substantially carried out by computers. There is no assurance that our Group has sufficient ability to protect the computer hardware, system and data storage from all possible damage, including but not limited to, acts of nature, telecommunications breakdown, electricity failure, computer virus, hacker intrusion or similar unexpected events. Any damage to our computer system and data will cause business interruption and may have a material impact on our operating performance and reputation. Our Group has maintained an information technology support including data backup on premises and offsite, implementing anti-virus and firewall solution to minimise the potential risks for the computer hardware, system and data storage disruptions.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2018. 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 2018, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENT

During the year ended 31 December 2018, the Company, through its direct wholly-owned subsidiary, further contributed HK$13,720,000 to isBIM.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2018, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2018, there was no other material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2018 (2017: Nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2018 (2017: 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$95,174,000 (2017: HK$54,431,000) as at 31 December 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, including isBIM, the Group employed over 1,000 (2017: around 900) 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 Schemes 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liang Ronald (梁鵬程), aged 69, 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 over 40 years of experience in the architectural service industry with nearly 40 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 56, 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 52, 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 almost 30 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 54, 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 almost 30 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 55, 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 50, was appointed as an executive Director on 1 May 2017. Mr. Ma is responsible for mixed use commercial 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 23 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 59, 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) and Talent Property Group Limited (stock code: 760). Mr. Lo was also an independent non-executive director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) (stock code: 112) since 2017 till November 2018. 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 69, 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 (蘇玲), aged 49, 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 49, 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 22 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. 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 48, 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 23 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. Chan Chui Man (陳聚文), aged 43, 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 41, 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 42, 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 20 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 54, 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 27 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 54, 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 21 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.

CIFI MAJESTIC MANSION, Hangzhou, PRC

ENVIRONMENTAL SOCIAL and GOVERNANCE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

We are delighted to present the Environment, Social and Governance ("ESG") Report (the "Report") of the Group. This ESG Report covers the period from 1 January 2018 to 31 December 2018, except where stated otherwise.

The Group, being a leading architectural services provider, is obliged to ESG performance in its business operation aiming for achieving sustainable development for the future. To enable the stakeholders to better understand the Group's ESG concepts and practices, this Report illustrates the key disciplines of the Group's businesses in all aspects of architectural design and execution. These disciplines, namely, Architecture, Planning & Urban Design, Interiors, Heritage Conservation, Landscape, Building Information Modelling (BIM), Lifestyle, and Lighting Design, are working together seamlessly like the parts of a machinery, enabling us to provide comprehensive design solutions for all projects placed in our trust.

This ESG report follows the disclosure requirements set out in the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance by The Stock Exchange of Hong Kong Limited. In order to identify the most significant aspects for the Group to report on this ESG report, key stakeholders including investors, shareholders and employees have been involved in engagement sessions to review and assess the applicability and materiality of the relevant key performance indexes ("KPIs") under the ESG Reporting Guide. In addition, the Report complies with all the "comply or explain" provisions in the Listing Rules and has included the explanation for provisions which are not applicable to the Group.

ESG GOVERNANCE

The Group is one of the global integrated architectural services providers rooted in Hong Kong. With over 10 studios spreading across the Greater China, Southeast Asia, and MENA, the Group is committed to the latest construction technologies in the design and delivery of the best design solutions for clients, with the objective of improving urban spaces while enhancing living quality of both individuals and the general public.

Moreover, the Group understands the importance of environment, society and governance to the future development of the Group, and realises 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.

BIM = Green

On 9 June 2018, isBIM Limited ("isBIM"), one of the subsidiary of the Group, and the United Nations Educational, Scientific and Cultural Organization (UNESCO) in Hong Kong signed a co-operation agreement with the World Institute of Sustainable Development Planners. isBIM is committed to the development of BIM business, providing a clear and predictable data through BIM technology, which avoids unnecessary waste and reducing environmental pollution. At the pre-construction stage, digital models can be refined through analysis and design options, providing near real-time insight into an end result. Beyond these, stakeholders can study specific changes in relation to decisions that, once built, cannot be reversed. With an insight into the effects of the environment, they can quantify the most effective options at this stage. At the construction stage, BIM captures graphical and non-graphical data. By capturing material condition updates, BIM enables the building team to track and report on the status of demolition and construction on a project.

ESG aspects as set forth in ESG Guide		Material ESG issues for the Group
A	*Environmental Performance*	
	A1 Emissions	Carbon dioxide emissions and waste management
	A2 Use of resources	Efficient use of energy
	A3 Environment and natural resources	Green office management Green design and certification of LEED, BEAM Pro and BEAM Plus ISO14001 Environmental Management System
B	*Social Performance*	
	B1 Employment	Labour practice and equal opportunity employer
	B2 Health and safety	Workplace health and safety
	B3 Development and training	LWK Academy Committee
	B4 Labour standards	Obey and respect national laws and regulations
	B5 Supply chain management	Internal control system plus fair and unbiased tender process
	B6 Product responsibility	ISO 9001 Quality Management System
	B7 Anti-corruption	Anti-corruption code and promotion training
	B8 Community investment	Community programme participation and 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. ENVIRONMENT PERFORMANCE

Environment Policy and Performance

In order to demonstrate the commitment of the Group towards sustainable development, the Group endeavors to continually improve its environmental performance and to minimise or, ultimately, to prevent any environmental impacts from its operation, activities, products, and services. In early 2018, the Group has started to implement the ISO14001 Environmental Protection System and has awarded the ISO 14001:2015 certification accredited by Hong Kong Quality Assurance Agency in June 2018. The Group will continue to 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 according to the international standard.

During the reporting period, the Group did not notice any non-compliance incidents in relation to environmental protection that would have imposed significant impacts to the Group's operation. Furthermore, no complaints have been received from our clients for our services on the projects.

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 30
A1.3	Hazardous waste	Not applicable while unsignificant
A1.4	Non-hazardous waste	Not applicable while unsignificant
A1.5	Emissions mitigation	Page 30
A1.6	Hazardous & non-hazardous wastes reduction	Not applicable while unsignificant
A2	Use of Resources	
A2.1	Energy consumption	Page 31
A2.2	Water consumption	Not applicable while unsignificant
A2.3	Energy use efficiency	Page 31
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 32

Emissions

The Group adheres to the strategies in achieving sustainable development. With an objective to reduce energy consumption and carbon emissions, the Group endeavors to implement management systems for identifying relevant requirements and for monitoring performance of related activities.

The Group complies and fully implements the latest applicable environmental laws, regulations, codes of practice, and other requirements which relate to the environmental aspects during the operation. In consideration of our non-industrial business nature, we have insignificant effect on the environment and natural resources. We do not produce any hazardous production, waste, nor use of packaging material for finished product during the operation. Thus KPIs A1.1 (types of emissions and respective emissions data), A1.4 (total non-hazardous waste produced) and A1.6 (description of how hazardous and non-hazardous waste are handled, reduction initiatives and result achieved) are insignificant to the operation of the Group and have not been disclosed in this report.

During the reporting period, the Group did not have any violations of relevant local environmental laws and regulations in relation to exhaust gas and greenhouse gas ("GHG"), emissions, water and land discharge, and the generation of hazardous and non-hazardous waste that have a significant impact to the environment.

The major sources of GHG emissions of the Group are energy indirect emissions (Scope 2) generated from electricity consumption for Hong Kong Offices which was 443,253 supplied by CLP Power Hong Kong Limited. The CO_2 equivalent emission was 279,249.39 kg which covered total floor area of 40,750 square-feet. To push forward the emission mitigation KPI A1.5, the Group actively promotes and adopts electricity conversation and energy saving measures to prevent and reduce GHG emission in workplaces.

Non-hazardous waste category	Quantity 2018	Unit	Intensity – Unit per employee 2018
CO_2 equivalent emissions	443,253	kWH	641.95

In June 2018, the Group has started to implement ISO14001: 2015 Environmental Management System in addition to ISO9001: 2015 Quality Management System. The certification of ISO14001: 2015 does not only set out the criteria for an environmental management system of the Group, but it also maps out a framework for the Group to follow in setting up an effective environmental management system. The Group adopts this effective environment management system both in our workplace and our project sites.

Business air travel is another source creating GHG emission; the Group adopts green office practice to minimise the overseas business travels through utilising electronic communications such as 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 energy consumption of the Group during its daily operation is the electricity consumption in its workplace. The total electricity consumption was 443,253 kilowatt-hour (kWh), with an energy intensity of 117.13 kWh/m^2. To push forward the measures for energy conservation and emission minimisation in workplace, the Group has adopted energy-saving measures including procuring more energy-efficient equipment to reduce electricity consumption and using energy saving bulbs/LED lamps instead of traditional lamps.

Energy Type	**Quantity 2018**	**Unit**	**Intensity – Unit per employee 2018**
Electricity consumption	443,253	kWh	1,018.97
Energy intensity	117.13	kWh/m^2	0.27

The water consumption of the Group is mainly the water consumption in office since the operation of the Group does not involve any water consumption. The Group promotes water conversation habits in using water consciously. The Group does not have statistics in relation to water consumption because water supply in the office premises of the Group is provided 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 insignificant to the Group's operation and have not been disclosed in this Report.

Furthermore, the operation of the Group does not involve any packaging material being used for finished products, thus KPI A2.5 (packaging material used for finished products) is not applicable to the Group and has not been disclosed in this Report.

Environment and Natural Resources

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

In comparison with other service industries, an architectural services provider inevitably consumes paper in its business activities. To overcome this inherent industrial practice, the Group attempts a great move toward a digitalised green office. The Group deploys a renowned digital document management system namely "PRMS" to streamline the workflow and minimise the use of papers. The Group transforms all project-related documents into the form of digital image and stores systematically in accordance with unique QR code. This does not only create an information system but also facilitate the project personnel to retrieve information effectively and improve efficiency by using multi-specified searching fields and unique QR code. It also creates a knowledge management system for information sharing and future reference. This is a big step to efficient digitalised office with green endeavor.

The Group also promotes paperless office in the attendance and office approval processes. We also have a self-developed data management platform for file transfer, drawing overview, problems recording, meeting and collaborative management, which can reduce paper consumption and improve the efficiency of communications management.

The Group adheres to the waste management principles and strives to properly manage and dispose all wastes produced by our business activities. Our waste management practice has been compiled with laws and regulations relating to environmental protection.

In addition to complying with relevant environmental laws, regulations, and international standards to properly preserve the natural environment, the Group has integrated the concept of environmental protection and natural resources conservation into its internal management and daily operation with the aim of achieving environmental sustainability.

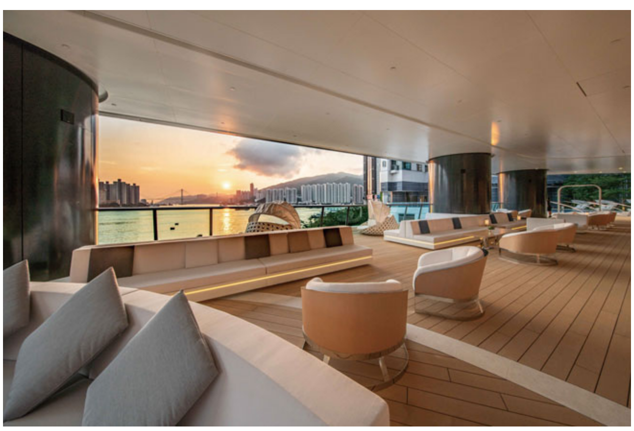
Under the principles of "reduce, reuse and recycle", the Group regularly monitors the consumption volume of paper, toner cartridges and ink cartridges and has implemented a number of reduction measures. Furthermore, the Group endeavors to properly manage and dispose all wastes produced by our business activities. The waste papers will be sorted then to be recycled for reuse and/or to be eventually collected and processed by specialised recycling service providers on weekly basis. In addition, the Group sets up a collection point of waste aluminum cans and plastic bottles for recycling. Staff will clean the aluminum can and plastic bottles well before put it into the collection box. Furthermore, some staff collects and put these wastes to the centralised collection point of Building Management Office for recycling by their self-initiatives.

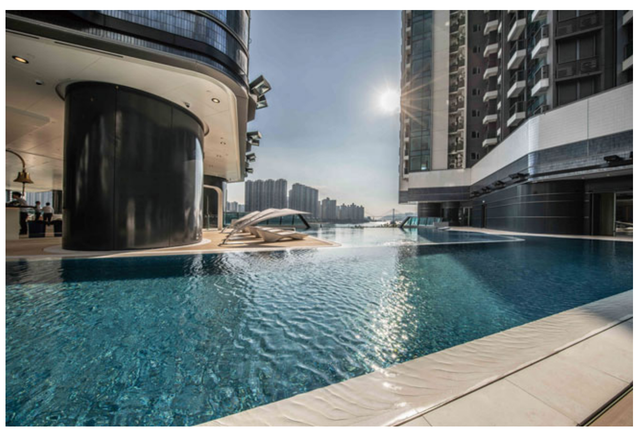
THE PAVILIA BAY, Tsuen Wan, Hong Kong

The Group seeks to use of natural resources so as to reduce the environmental impacts plus improving environmental quality and user satisfaction. 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 these best practices. The new developments are using the environmental material and technology for sustainability and energy conservation with reasonable cost. These all aim to improve the surroundings and enhance the sustainability of the communities where the buildings are situated.

We implement green initiatives in many projects. There was a project honoured the awards on the Provisional GOLD level rating from HKGBC BEAM Plus. Various studies were carried out to measure that residential buildings in Hong Kong, specifically the impacts of the use of specific building materials. For example, solar study was carried out to determine the thermal performance of the low emissivity insulated glazing units (IGUs), while noise impact assessment was carried out on noise sensitive receivers of the residential units, such as the vertical fins, enhanced glazing, and other parts of the building where needed. To combat adverse effects of insulation, the reflectance of roof materials has a Solar Reflective Index of no less than 78. This, together with the IGUs, can lower heat gain and relieve the cooling loads of air-conditioning in the building. Over 10% of the hard-pavers in the development and recycled materials, while food decomposers are installed to minimise the impact of waste to the environment. Water saving showerheads and water taps are installed to achieve an overall reduction of water consumption by 30% Dual flush system is also implemented for all lavatories. A twin-tank flushing and potable water system were also implemented to maintain water supply throughout the development during maintenance procedures to minimise the impact on residents and users.

In conclusion, the Group promotes and encourages best practices in environmental design towards sustainability. Many of the development projects designed by the Group are widely recognised as displaying excellence through their environmental and energy conversation designs. In terms of energy conservation, most of the development projects 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. The Group is one of the members 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 34-35
B1.1	Total workforce	Page 36
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 38
B3.1	Percentage of employees trained	Page 38
B3.2	Average training hours	Page 38
B4	Labour Standards	
B4.1	Avoid child & forced labour	No child & forced labour employment
B4.2	Steps taken to eliminate child & forced labour	Page 38
B5	Supply Chain Management	
B5.1	Number by suppliers by geographical region	Page 38
B5.2	Suppliers engagement	Page 38
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 38
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 39
B8	Community Investment	
B8.1	Focus areas of contribution areas	Page 40-44
B8.2	Resources contributed on focus area	Page 40-44

Employment and Labour Practices

Being a global integrated architectural services provider, the Group's business scope covers all aspects of architectural design with key sector leaders managing our comprehensive disciplines. These disciplines including Architecture, Planning & Urban Design, Interiors, Heritage Conservation, Landscape, Building Information Modelling (BIM), Lifestyle, and Lighting Design. In view of this comprehensive service portfolio, the Group understands that successful talent management is a critical factor to success. Without the employees and their expertise, the Group could never achieve its current global leading position. Therefore, the Group focuses to enhance its capability to attract, cultivate and retain talents for sustainable growth. In addition, the Group adopts people-oriented approach, respects and safeguards the legitimate interests of every employee to create harmonious working environment.

As of 31 December 2018, the Group, including isBIM Limited, has employed over 1,000 staff in its office in Hong Kong with over 10 studios spread across the Greater China, Southeast Asia and MENA.

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

	Regional Distribution
Hong Kong	42%
Mainland China	52%
Southeast Asia	5%
MENA	1%
Total	100%

The Group not only actively complies with national laws and regulations strictly, but also implements a single standard labour employment management system across all offices of the Group. 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. In June 2018, the Group has established a regional office in Dubai to serve MENA region. The staff of this office consists of people from different race, colour, age, gender, ethnicity and religion.

Furthermore, 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.

In 2018, LWK is conferred with the "Good MPF Employer Award 2017-18" by Mandatory Provident Fund Schemes Authority. The commendation is a strong recognition of the efforts of the Group in enhancing a comprehensive retirement protection of the employees and its high value on the need of the employees.

Other than offering attractive remuneration package with performance bonus to the employees, the Group has offered share option scheme to the senior staff in 2018. All these benefits are for encouraging the employees to grow with the Group and to reinforce their loyalty. In the Annual Dinner, the Group has presented a Long Service Award to the loyal staff who serviced the Group over 10 years, 15 years and 20 years, to recognise their loyalty and incredible efforts in the previous years.

Moreover is birthday party for staff held every two months and a blessing red envelope will be given to the birthday staff to strengthen the team building and enhance employee happiness.

During the reporting period, the Group was not aware of any material non-compliance of laws and regulations in respect of human resources.

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%	1%	3%	1%	0%	5%
Middle Management	2%	8%	3%	1%	0%	14%
General Employees	44%	29%	5%	2%	1%	81%
Total	46%	38%	11%	4%	1%	100%

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	2%	3%	0%	0%	0%	5%
Middle Management	5%	7%	2%	0%	0%	14%
General Employees	13%	40%	27%	1%	0%	81%
Total	20%	50%	29%	1%	0%	100%

Employees divided by Position Grade and Gender

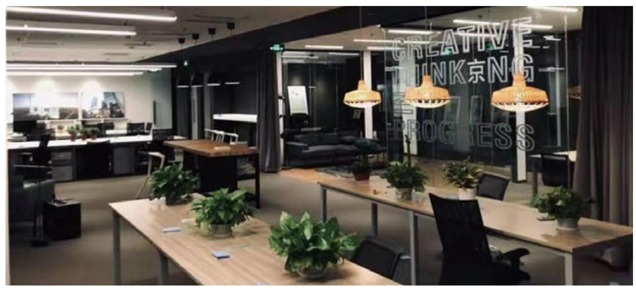
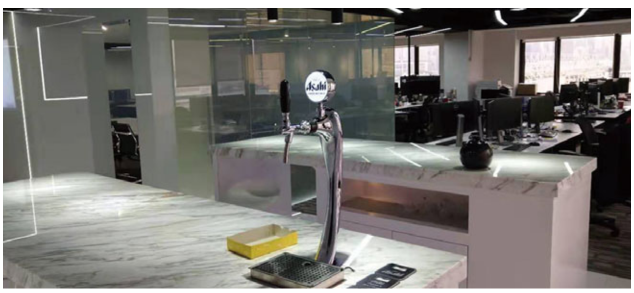
Position Grade	**Male**	**Female**	**Sub-total**
Senior Management	5%	1%	6%
Middle Management	10%	5%	15%
General Employees	51%	28%	79%
Total	66%	34%	100%

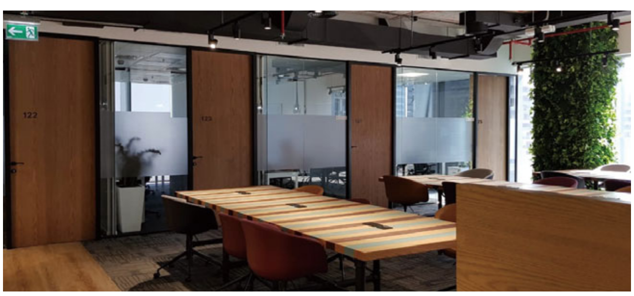
Health and Safety

Employees are the most valuable asset and the core competitive advantage of the Group. To ensure health and well-being of the employees, the Group has offered a comprehensive insurance coverage. It includes medical and personal accident insurance coverage as well as dependent benefits. In addition, the Group earnestly safeguards the legitimate interests of labour and respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest times and holidays. The Group has increased the annual leave entitlement of all staff in Hong Kong Offices in mid of 2017 to enable the employees to achieve better work-life balance. The Group aware of this change could increase staff's productivity and creativity as well as achieve the work-life balance among the staff this year.

The Group recognises the importance of the health and safety of its employees, commits itself to providing employees with a healthy, safe and comfortable working environment and strives to eliminate potential health and safety hazards at workplaces. 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 occurrence of accidents and injuries during the reporting period, which was in an extremely low rate with zero fatal accident.

Improvement of workplace quality is one of the Group's important tasks. Workplace quality has been continually improved in 2018, the Group has rent a new office around 3,500 square-feet in May 2018 and is now liaising to rent an additional office around 5,600 square-feet to cater the group's recent expansion of Hong Kong Office for better working environment. All of the Group's offices adopt contemporary office style and are equipped with high-end facilities. In sum, the Group's total office space among the Group is over 100,000 square-feet.




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. The Group has accordingly formulated a series of relevant personnel management policy to guide employees to actively integrate personal pursuits into the long-term development of the Group.

With reference to the annual performance appraisal result, the Group will conduct a Training Needs Analysis in alignment with business development plan, as well as career development track for High Potential Employees for the purpose of succession planning. The management regularly reviews the effectiveness of the training courses, so as to help to improve the effectiveness of the Group's training system. In 2018, the Group's training hours were 1,346 hours in total, with the number participation of 805 employees from all levels.

Moreover, the Group has an incentive scheme to promote life-long learning and help the staff pursue their professionalism such as offering paid leave for employees pursuing professional qualification and continuous professional development as well as sponsoring employees to participate in architectural-related seminars.

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. During the reporting period, no such case was received by the Group. Moreover, all employees are in acknowledgement of their employment contract with staff handbook that states the terms and conditions without ambiguity. Human Resources Department answers employees' employment query within a short period of time.

Supply Chain Management

The Group views every vendor as a business partner instead of service providers. An open, fair and ethical approach is applied to all of our business partners. Neither corruption nor bribery is strictly prohibited. Thus, the Group has established stringent and standardized internal control system in procuring goods and services through fair and impartial tender process. This regulates the procurement system and controls costs effectively. The selection of suppliers and business partners will be based on competitive pricing, specifications and standards conformity, product and service quality as well good business track records. Integrity is the Group's core value.

Product Responsibility

The Group strictly complies with all laws and regulations in connection with its daily operation. The Group adopts ISO9001 Quality Management System and ISO14001 Environmental Management System. The Group is not only committed to high quality services with continuous improvement but also for sustainability. As at the date of this ESG report and within the reporting period, no case relating to safety and health issues of products or services was received and there was no material complaint in service quality and service delivery.

Intellectual Property Rights

The Group owned and registered several trademarks and domain names as they are the most valuable to its brand and corporate identity. In the last quarter of 2018, the Group has planned to launch our business branding in a new format for its architectural business. A related trademark has been submitted to the relevant authorities both in Hong Kong and PRC for trademark registration immediately to protect the Group's interest and brand singularity. 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 believes that integrity is one of the core values towards our continued success, an honest corporate culture comes along with. The Group has zero tolerance on any form of bribery and corruption. Employees are reminded to avoid situation that may lead to or involve a conflict of interest. Accordingly, the Group has established a Code of Conduct and clearly 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 has business transaction with the Group.

To understand the latest best practice of anti-corruption, some staff have attended the Corporate Anti-corruption programme jointly organised by Independent Commission Against Corruption ("ICAC") with the professional institution.

In addition, the Group has also established whistle-blowing policy and procedures which are stipulated in the Staff Handbook. Proper protection and confidentiality have been provided, the whistle-blowers will not face any adverse reaction organizationally as a consequence of reporting a concern about any whistle-blowing matters.

During the reporting period, the Group did not have any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering.

FUTURE TECHNOLOGY CITY, Hangzhou, PRC

COMMUNITY INVOLVEMENT

The Group broadens our CSR services 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 co-created solutions for real-life problems with pragmatic and innovative solutions.

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 allow students to experience the daily operation setting of an architectural design firm and prepare them landing a career in the industry, the Group co-organised the Youth Guidance Programs with Hong Kong Unison Limited and Ko Lui Secondary School, partner school of Project WeCan. The Group also conducted a sharing with 40 students of IBP i-Bank Student Tour on understanding company structure and operation of a listed company.

During the Project WeCan ("PWC") Career Exploration Day in November 2018, the Group offered opportunities to over 5,000 secondary school students in total to experience as Architectural Assistants to learn about Architecture 3-point perspective. 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 St. James' Settlement ("SJS") on City Builder Project. 200 primary and secondary school students who joined the project learnt about how to improve their living environment, i.e. starting from their homes, schools to the community, by using 3D design software, programming skills and architectural knowledge.

In order to reach out to younger generations from different ages and cultural backgrounds, on March 2018, isBIM participated in the WeCan x HKUST STEAM Project of the City University of Hong Kong to share the technology of BIM with students. The implementation and use of BIM technology, part of the industry innovation technology, stimulate students' creativity, let students understand the value and application of BIM in smart engineering in the future, provide secondary school students with the opportunity to experience as an architect assistant, and learn to build architectural modeling.

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 2018, a running team of 52 participants, helping to benefit the rehabilitation and aftercare service provided by the member social welfare agencies of The Community Chest.

This year, the Group also participated in several fund-raising events by different authorities, including the Hong Kong Mine Challenge 2018 by Evangelical Lutheran Church of Hong Kong, Lifewire Run 2018 and Sowers Action Challenging 12 Hours 2018.

Apart from youth and community involvement, we devote to eldercare. By volunteering in a series of eldercare service, which included visits to elderly homes, having winter solstice at elderly attention house, playing dementia prevention board game with elderly and helping out at elderly sports day, our colleagues enhanced the sense of social belonging, we believe by showing concern, care and mutual support can establish an ideal harmonious living environment.

Donation to the Construction of "China Overseas Holdings Ayding Lake Hope Primary School" Academic Building

The Group has not only jointly funded the construction of the academic building of China Overseas Holdings Ayding Lake Hope Primary School in Turpan, Xinjiang, with China Overseas Property Holdings Limited, but it has also contributed to the architecture design for the Primary School.

After the on-site research and analysis by staff of the Group, it was suggested to renovate the School's façade, main gate, and to divide the campus into living area, study zone, and activity ground so as to put an emphasis on the different parts of campus life. They, moreover, are advised to include the components of "classroom, garden, playground" into the campus setting, with an aim to improve its micro-environment and raise the interest in learning of the students.

Participation in Transitional Social Housing

In an attempt to explore different options and possibilities to deliver a sizeable amount of Transitional Social Housing in a relatively short period of time to improve the standard of living of the city's poorest, the Group participated in "One from Hundred Thousand" Symposium Series organised by Jockey Club Design Institute for Social Innovation in autumn 2018. In light of the pressing need for housing and poverty alleviation, the Symposium focused on marrying the "Housing First" model of transitional housing to use idle spatial resources in society to support tenants' recovery and integration into the community.

Recognition in Community Engagement

The Group is committed to contribute back to the community by participating in various community caring services. We were honored to be awarded Caring Company in eighth consecutive years in praise of our enthusiasm for corporate social responsibility and social commitment by involving in the community services and supporting the needy.

CORPORATE GOVERNANCE REPORT

ZHENG DING LI MIXED-USE DEVELOPMENT, ShiJiaZhuang, PRC

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2018, 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 2018 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 2018, 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	7/7	4/4
Mr. Liu Gui Sheng	6/7	2/4
Mr. Fu Chin Shing	7/7	4/4
Mr. Wang Jun You	7/7	3/4
Mr. Liu Yong	6/7	2/4
Mr. Ma Kwai Lam Lambert	7/7	4/4
Independent Non-Executive Directors		
Mr. Yu Chi Hang	7/7	2/4
Mr. Lo Wai Hung	5/7	3/4
Ms. Su Ling	7/7	1/4

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 2018.

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

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 2018.

According to the current terms of reference, the Audit Committee shall meet at least twice a year. Three meetings were held by the Audit Committee for the year ended 31 December 2018. The record of attendance of each member of the Audit Committee is set out as follows:

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

Remuneration Committee

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

The composition of the Remuneration Committee is as follows:

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

One meeting was held by the Remuneration Committee for the year ended 31 December 2018 and the record of attendance of each member of the Remuneration Committee is set out as follows:

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

Nomination Committee

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

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance in compliance with 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
Mr. Yu Chi Hang
Mr. Lo Wai Hung
Ms. Su Ling

One meeting was held by the Nomination Committee for the year ended 31 December 2018 and the record of attendance of each member of the Nomination Committee is set out as follows:

Name of member of the Nomination Committee	meeting attended/ eligible to attend
Mr. Liang Ronald	1/1
Mr. Liu Yong	1/1
Mr. Yu Chi Hang	1/1
Mr. Lo Wai Hung	1/1
Ms. Su Ling	1/1

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.); 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

One meeting was held by the Investment Committee for the year ended 31 December 2018 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	1/1
Mr. Liang Ronald	1/1
Mr. Fu Chin Shing	1/1
Mr. Wang Jun You	1/1
Mr. Liu Yong	1/1

Company Secretary

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

For the year ended 31 December 2018, 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.

– allocations of duties

The Board has the overall responsibility to review and maintain a sound and effective internal control and risk management. The senior managements is delegated to design and implement systems that manage risks and facilitate internal control, and to report to the Board and Audit Committee on risk exposures and mitigation plans. The senior management also updates and enhances the risk management and internal control system in response to the changes to the business environment of regulatory guidelines.

– periodic reviews

Business departments and senior management convene meetings on a weekly basis to evaluate and review potential risks across different levels of project operations. Proactive preventions and risk mitigation plans will be designed and implemented following such meetings. Senior management will meet periodically to assessment enhance risk control qualities on finance, IT and talent retention, among other issues.

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.

To enhance the credibility of internal control, the Group has implemented ISO9001:2015 Quality Management System and ISO14001:2015 Environmental Management System which map out a framework for the Group to follow in setting up an effective quality and environmental management system. These systems aim for process approach and continuous improvement as well as provide a clear and established procedure to the Group both for project management and daily office operation.

According to the requirement of these systems, regular internal and external audit will be conducted to ensure the Group adhere the quality and environmental policy and procedures in its daily operation. The Group currently appoint Hong Kong Quality Assurance Agency to conduct the external audit in addition to an internal audit conducted by trained office staff. An independent audit report on the company-wide management system will be presented to the Senior Management for review and discussion if any.

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 2018 and 2017 respectively are analysed as follows:

Services rendered	Fees paid/payable	
	2018	2017
	HK$'000	HK$'000
Audit services	**1,355**	1,210
Non-audit services		
– Review of interim financial information	**250**	230
– Review of continuing connected transaction	**35**	20
– Tax compliance and planning review	**57**	30
– Review of result announcements	**20**	20
	1,717	1,510

(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.

Dividend policy

The Company has adopted a dividend policy, pursuant to which the Company may declare dividends recommended by the Board to the Shareholders.

The declaration of dividends is subject to the discretion of the Board, and the amounts of dividends actually declared and paid will depend on the following factors:

- the actual and expected financial performance of the Group;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;
- business strategies of the Group, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- the current and future operations, liquidity position and capital requirements of the Group;
- statutory and regulatory restrictions; and
- other factors that the Board deems appropriate

The declaration and payment of dividend by the Company is subject to the Cayman Islands Companies Law and the Articles of Association of the Company.

(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 2018, there had been no significant change in the Company's constitutional documents.

VANKE 17 MILES, Chongqing, PRC

DIRECTORS' REPORT

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 2018.

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 40 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 2018 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 79 to 81.

The board has resolved to recommend a final dividend of HK2.0 per share for the year ended 31 December 2018 (2017: HK4.0 cents per share), subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM"). Together with the interim dividend of HK3.0 cents per share which were paid to the shareholders of the Company during the year, the total dividend for the year amounts to a total of HK5.0 cents per share.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 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 21 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 29 to 33 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 2018 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 34 to 45 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 164 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 2018 are set out in Note 15 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 33 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 82 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$298,995,000 (2017: HK$298,024,000). 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)
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

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

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a period of three years 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLAYING SHARES

Save as disclosed below, as at 31 December 2018, 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)	82,670,000	Long	28.67%
Chung Wai Chi, Connie	The Company	Interest of spouse (Note 6)	39,986,000	Long	13.87%
		Beneficial owner	290,000	Long	0.10%
Li Min	The Company	Interest of spouse (Note 7)	18,390,000	Long	6.37%
	The Company	Beneficial owner (Note 8)	800,000	Long	0.27%

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 82,670,000 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 39,986,000 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 18,390,000 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 600,000 underlying shares upon exercise of the share options granted under the Share Option Scheme.

Save as disclosed above, as at 31 December 2018, 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.

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

At 31 December 2018, 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	6,272,000	2.17%
	The Company	Beneficial interest	7,000,000 (Note 1)	2.42%
Mr. Liu Gui Sheng	The Company	Beneficial interest	7,000,000 (Note 1)	2.42%
Fu Chin Shing	The Company	Interest in a controlled corporation	30,662,000	10.63%
	The Company	Beneficial interest	3,724,000	1.29%
	The Company	Interest of spouse	290,000	0.10%
	The Company	Beneficial interest	5,600,000 (Note 1)	1.94%
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	4,000,000 (Note 1)	1.38%
	The Company	Interest of spouse	200,000 (Note 2)	0.06%
	The Company	Interest of spouse	600,000 (Note 1)	0.20%
Mr. Liu Yong	The Company	Beneficial interest	2,000,000 (Note 1)	0.69%
Mr. Ma Kwai Lam Lambert	The Company	Beneficial interest	250,000	0.08%
	The Company	Beneficial interest	2,000,000 (Note 1)	0.69%

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

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

(2) Short positions

Save as disclosed above, as at 31 December 2018, 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 37 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 18,100,000 share options being granted pursuant to the Share Option Scheme during the year ended 31 December 2018.

The following table discloses movements in the Company's share options during the year:

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 the end of year
Executive Directors								
– Liang Ronald		28/9/2017	HK$2.49	3,500,000	–	–	–	3,500,000
	(Note)	1/11/2018	HK$2.334	–	3,500,000	–	–	3,500,000
– Liu Gui Sheng		28/9/2017	HK$2.49	3,500,000	–	–	–	3,500,000
	(Note)	1/11/2018	HK$2.334	–	3,500,000	–	–	3,500,000
– Fu Chin Shing		28/9/2017	HK$2.49	2,800,000	–	–	–	2,800,000
	(Note)	1/11/2018	HK$2.334	–	2,800,000	–	–	2,800,000
– Wang Jun You		28/9/2017	HK$2.49	1,800,000	–	–	–	1,800,000
	(Note)	1/11/2018	HK$2.334	–	2,200,000	–	–	2,200,000
– Liu Yong		28/9/2017	HK$2.49	1,000,000	–	–	–	1,000,000
	(Note)	1/11/2018	HK$2.334	–	1,000,000	–	–	1,000,000
– Ma Kwai Lam Lambert		28/9/2017	HK$2.49	1,000,000	–	–	–	1,000,000
	(Note)	1/11/2018	HK$2.334	–	1,000,000	–	–	1,000,000
Senior management and other employees		28/9/2017	HK$2.49	11,760,000	–	–	(460,000)	11,300,000
	(Note)	1/11/2018	HK$2.334	–	4,100,000	–	–	4,100,000
Consultants		28/1/2016	HK$2.80	2,600,000	–	–	(2,600,000)	–
		4/3/2017	HK$3.29	3,800,000	–	–	–	3,800,000
				31,760,000	18,100,000	–	(3,060,000)	46,800,000

(Note) The closing price of the Company's shares immediately before 1 November 2018, the date of grant of the 2018 options to the Board and employees, was HK$2.33. 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 1 November 2021 to 31 October 2023 (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 1 November 2023 to 31 October 2025 (both dates inclusive).

There was no share options have been exercised in 2018. As at report date, 46,800,000 shares are issuable for options granted under the Share Option Scheme, representing approximately 16.23% 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 2018.

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 2018, 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

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

Mr. Lo Wai Hung, an independent non-executive director of the Company, was resigned as an independent non-executive director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited), the shares of which is listed on the Stock Exchange of Hong Kong Limited.

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

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.

On 3 July 2018, the Company and BMEDI entered into a Revised Framework Agreement which superseded the Framework Agreement, pursuant to which, among others, (a) the scope of services under the Revised Framework Agreement is extended to cover consultancy services of BIM; (b) the revised annual cap for the continuing connected transactions for the year ended 31 December 2018 has been adjusted from RMB14,700,000 (equivalent to approximately HK$16,900,000) to RMB18,000,000 (equivalent to approximately HK$21,600,000); and (c) the term of the Revised Framework Agreement is shortened and expired on 31 December 2018.

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 36 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 37 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 2018 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$3,314,000.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2018, the aggregate revenue attributable to the Group's five largest clients represented approximately 29.6% 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 2018, the aggregate sub-consultancy fee paid to the Group's five largest suppliers represented approximately 4% of the Group's total costs of services. The sub-consultancy fee to the Group's largest supplier represented approximately 2% 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

28 March 2019

INDEPENDENT AUDITOR'S REPORT

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 79 to 163, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from contracts with customers	
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 using input method. As stated in note 4 to the consolidated financial statements, 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. 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. As disclosed in note 5 to the consolidated financial statements, the contract revenue amounted to HK$671,598,000 for the year ended 31 December 2018.	Our procedures in relation to revenue recognition on contract work included: • Obtaining and understanding of 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 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; • Performing comparisons between the percentage of completion and the percentage of progress billing on selected contracts to identify and investigate any significant differences; and • Checking the progress billings, on a sample basis, to invoices issued and checking staff costs incurred, on a sample basis, to the timesheet recording system and human resources record.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of trade receivables and contract assets

We identified the impairment assessment of trade receivables and contract assets as a key audit matter due to the significance of trade receivables and contract assets to the Group's consolidated statement of financial position and the involvement of subjective judgement and management estimation in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period. As at 31 December 2018, the Group's net trade receivables and contract assets amounting to HK$215,185,000 and HK$121,123,000, which represented approximately 32% and 18% of total assets of the Group, respectively. As explained in note 2 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 "Financial Instruments" (HKFRS 9) and recognised an additional impairment of HK$966,000 and HK$943,000 of trade receivables and contract assets, respectively as at 1 January 2018 in accordance with the transitional provisions of HKFRS 9. As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, ageing and past due status of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. As disclosed in note 42 to the consolidated financial statements, the Group recognised an additional amount of HK$1,636,000 of impairment of trade receivables and reversed amount of HK$668,000 of impairment of contract assets for the year. The Group's lifetime ECL on trade receivables and contract assets as at 31 December 2018 amounted to HK$4,526,000 and HK$275,000, respectively.	Our procedures in relation to impairment assessment of trade receivables and contract assets included: • Understanding the methodology for ECL model adopted by the Group; • Testing the accuracy of the ECL adjustment made by the Group as at 1 January 2018 on initial adoption of HKFRS 9; • Testing the integrity of information used by management to develop the provision matrix as at 1 January 2018 and 31 December 2018 on a sample basis; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 1 January 2018 and 31 December 2018, including their identification of credit impaired trade receivables, the reasonableness of management's grouping of the remaining trade receivables and contract assets into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Evaluating the disclosures regarding the impairment assessment of trade receivables and contract assets in notes 4, 23, 25 and 42 to the consolidated financial statements.

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 unit 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 16 to the consolidated financial statements, the carrying amount of goodwill is HK$31,450,000 and no impairment in respect of the goodwill has been recognised as at 31 December 2018.	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 key assumptions used; • Evaluating the appropriateness of the valuation model adopted and the key assumptions used in the cash flow forecasts including growth rate, discount 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

28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018 HK$'000**	2017 HK$'000
Revenue	5	**671,598**	455,768
Cost of services		**(472,037)**	(338,657)
Gross profit		**199,561**	117,111
Other income	6	**5,248**	2,267
Other gains and losses	7	**(3,074)**	1,789
Loss on fair value changes at financial assets at fair value through profit or loss		**(2,846)**	–
Impairment losses, net of reversal	8	**(968)**	–
Administrative expenses		**(130,811)**	(78,755)
Finance costs	9	**(1,825)**	(629)
Profit before tax	10	**65,285**	41,783
Income tax expense	12	**(14,103)**	(8,428)
Profit for the year		**51,182**	33,355
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(6,939)**	3,115
Fair value loss on debt instrument at fair value through other comprehensive income		**(1,974)**	–
Fair value loss on available-for-sale investments		**–**	(1,042)
Other comprehensive (expense) income for the year		**(8,913)**	2,073
Total comprehensive income for the year		**42,269**	35,428
Profit (loss) for the year attributable to:			
Owners of the Company		**46,982**	33,491
Non-controlling interests		**4,200**	(136)
		51,182	33,355
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**38,137**	35,492
Non-controlling interests		**4,132**	(64)
		42,269	35,428
Earnings per share	13		
Basic (HK cents)		**16.3**	12.9
Diluted (HK cents)		**16.2**	12.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**23,129**	20,690
Goodwill	16	**31,450**	31,688
Intangible assets	17	**8,563**	5,748
Financial assets at fair value through profit or loss	18	**41,478**	–
Debt instrument at fair value through other comprehensive income	19	**20,456**	–
Available-for-sale investments	20	**–**	66,618
Rental and utility deposits	21	**10,983**	8,088
Deferred tax assets	22	**998**	–
		137,057	132,832
Current assets			
Contract assets	23	**121,123**	–
Amounts due from customers for contract work	24	**–**	139,965
Trade receivables	25	**215,185**	100,254
Deposits, prepayments and other receivables	21	**9,913**	5,492
Other current assets	26	**2,654**	2,800
Income tax recoverable		**–**	2,541
Bank balances and cash	27	**182,104**	233,807
		530,979	484,859
Current liabilities			
Trade payables	28	**4,551**	4,714
Accruals and other payables	29	**79,633**	86,413
Contract liabilities	30	**71,652**	–
Amounts due to customers for contract work	24	**–**	64,239
Contingent consideration payable	31	**–**	6,800
Income tax payable		**3,990**	2,167
Unsecured bank borrowings	32	**54,211**	35,350
		214,037	199,683
Net current assets		**316,942**	285,176
Total assets less current liabilities		**453,999**	418,008

	Notes	2018 HK$'000	2017 HK$'000
Non-current liability			
Deferred tax liabilities	22	**3,262**	3,816
Net assets		**450,737**	414,192
Capital and reserves			
Issued capital	33	**2,883**	2,883
Reserves		**418,984**	394,531
Equity attributable to owners of the Company		**421,867**	397,414
Non-controlling interests		**28,870**	16,778
Total equity		**450,737**	414,192

The consolidated financial statements on pages 79 to 163 were approved and authorised for issue by the board of directors on 28 March 2019 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 2018

	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 2017	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 38)	–	–	–	–	–	–	–	–	–	17,607	17,607
Issue of new shares (Note 33)	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 14)	–	–	–	–	–	–	–	(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
Adjustments (Note 2.3)	–	–	–	–	496	–	–	(2,337)	(1,841)	(68)	(1,909)
At 1 January 2018 (restated)	2,883	283,501	5,765	3,313	(546)	(46,389)	186	146,860	395,573	16,710	412,283
Profit for the year	–	–	–	–	–	–	–	46,982	46,982	4,200	51,182
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(6,871)	–	(6,871)	(68)	(6,939)
Fair value loss on debt instrument at fair value through other comprehensive income	–	–	–	–	(1,974)	–	–	–	(1,974)	–	(1,974)
Total comprehensive (expense) income for the year	–	–	–	–	(1,974)	–	(6,871)	46,982	38,137	4,132	42,269
Transfer to statutory reserve	–	–	502	–	–	–	–	(502)	–	–	–
Further capital injection shared by non-controlling interests (Note 38)	–	–	–	–	–	–	–	–	–	6,997	6,997
Waiver of amount due to non-controlling interests	–	–	–	–	–	–	–	–	–	560	560
Recognition of equity-settled share-based payments	–	–	–	8,335	–	–	–	–	8,335	471	8,806
Lapse of share options	–	–	–	(515)	–	–	–	515	–	–	–
Dividends recognised as distribution (Note 14)	–	–	–	–	–	–	–	(20,178)	(20,178)	–	(20,178)
At 31 December 2018	2,883	283,501	6,267	11,133	(2,520)	(46,389)	(6,685)	173,677	421,867	28,870	450,737

Notes:

(a) The PRC statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries established 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 2018

	2018 HK$'000	2017 HK$'000
Operating activities		
Profit before tax	**65,285**	41,783
Adjustments for:		
Depreciation of property, plant and equipment	**8,126**	6,622
Loss on disposal/written off of property, plant and equipment	**28**	997
Written off of bad debts	**–**	307
Impairment loss, net of reversal		
– financial assets	**1,636**	(407)
– contract assets	**(668)**	–
Finance costs	**1,825**	629
Amortisation of intangible assets	**865**	331
Interest income	**(5,104)**	(2,250)
Equity-settled share-based payments	**8,806**	2,833
Loss on fair value changes at financial assets at fair value through profit or loss	**2,846**	–
Loss on fair value changes in contingent consideration payable	**197**	–
Operating cash flows before movements in working capital	**83,842**	50,845
Increase in rental and utility deposits	**(2,981)**	(2,533)
Increase in contract assets	**(1,441)**	–
Decrease in amounts due from customers for contract work	**–**	19,578
(Increase) decrease in trade receivables	**(104,341)**	2,790
(Increase) decrease in deposits, prepayments and other receivables	**(4,773)**	725
(Decrease) increase in trade payables	**(108)**	1,078
Decrease in accruals and other payables	**(4,595)**	(1,504)
Increase in contract liabilities	**11,069**	–
Decrease in amounts due to customers for contract work	**–**	(31,448)
Cash (used in) generated from operations	**(23,328)**	39,531
Interest paid	**(1,825)**	(629)
Income taxes paid	**(11,202)**	(14,285)
Net cash (used in) from operating activities	**(36,355)**	24,617
Investing activities		
Purchases of available-for-sale investments	**–**	(67,578)
Purchases of property, plant and equipment	**(10,915)**	(14,000)
Purchases of intangible assets	**(3,683)**	(694)
Net cash inflow on acquisition of subsidiaries	**–**	10,234
Interest received	**5,104**	2,250
Net cash used in investing activities	**(9,494)**	(69,788)

	2018 HK$'000	2017 HK$'000
Financing activities		
Proceeds from issue of new shares	–	145,772
New bank borrowings raised	50,000	35,350
Capital contribution from non-controlling interests	–	430
Repayment of bank borrowings	(31,139)	–
Proceeds from exercise of share options	–	21,467
Dividends paid	(20,178)	(8,331)
Repayment of obligations under finance leases	–	(306)
Net cash (used in) from financing activities	(1,317)	194,382
Net (decrease) increase in cash and cash equivalents	(47,166)	149,211
Cash and cash equivalents at beginning of the year	233,807	83,104
Effect of foreign exchange rate changes	(4,537)	1,492
Cash and cash equivalents at end of the year, represented by bank balances and cash	182,104	233,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 principal subsidiaries are set out in note 40.

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- comprehensive architectural services
- building information modelling ("BIM") services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

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

	Notes	Carrying amounts previously reported at 31 December 2017 HK$'000	Reclassification HK$'000	Carrying amounts under HKFRS 15 at 1 January 2018* HK$'000
Current Assets				
Trade receivables	(a)	100,254	15,148	**115,402**
Contract assets	(a)	–	124,817	**124,817**
Amounts due from customers for contract work	(a)	139,965	(139,965)	**–**
Current Liabilities				
Contract liabilities	(b)	–	64,239	**64,239**
Amounts due to customers for contract work	(b)	64,239	(64,239)	**–**

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) At the date of initial application of HKFRS 15, included in the amounts due from customers for contract work amounting to HK$15,148,000 was related to unbilled receivables. It was reclassified to trade receivables upon application of HKFRS 15.

At the date of initial application of HKFRS 15, included in the amounts due from customers for contract work amounting to HK$124,817,000 was related to the retention receivables and Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. It was reclassified to contract assets upon application of HKFRS 15.

(b) At the date of initial application of HKFRS 15, amounts due to customers for contract work amounting to HK$64,239,000 was related to advance from customers. It was reclassified to contract liabilities upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

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

Impact on the consolidated statement of financial position

	Notes	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current Assets				
Trade receivables	(a)	215,185	(72,989)	142,196
Contract assets	(a)	121,123	(121,123)	–
Amounts due from customers for contract work	(a)	–	194,112	194,112
Current Liabilities				
Contract liabilities	(b)	71,652	(71,652)	–
Amounts due to customers for contract work	(b)	–	71,652	71,652

Notes:

(a) Prior to the application of HKFRS 15, unbilled receivables was classified as amounts due from customers for contract work. For illustrative purpose of the table above, unbilled receivables of HK$72,989,000 was reclassified from trade receivables to amounts due from customers for contract work.

Prior to the application of HKFRS 15, the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance was classified as amounts due from customers for contract work. For illustrative purpose of the table above, such right of HK$121,123,000 was reclassified from contract assets to amounts due from customers for contract work.

(b) Prior to the application of HKFRS 15, advance from customers was classified as amounts due to customers for contract work. For illustrative purpose of the table above, advance from customers of HK$71,652,000 was reclassified from contract liabilities to amounts due to customers for contract work.

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
OPERATING ACTIVITIES			
Decrease in trade receivables	(104,341)	58,050	(46,291)
Decrease in contract assets	(1,441)	1,441	–
Decrease in amounts due from customers for contract work	–	(59,491)	(59,491)
Increase in contract liabilities	11,069	(11,069)	–
Increase in amounts due to customers for contract work	–	11,069	11,069

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets, and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments HK$'000	Financial assets at fair value through profit or loss ("FVTPL") HK$'000	Debt instrument at fair value through other comprehensive income ("FVTOCI") HK$'000	Trade receivables HK$'000	Contract assets HK$'000	Other items at amortised cost (previously classified as loans and receivables) HK$'000	Investment revaluation reserves HK$'000	Retained profits HK$'000	Non-controlling interests HK$'000
Closing balance at 31 December 2017 – HKAS 39		66,618	–	–	100,254	–	238,694	(1,042)	149,197	16,778
Effect arising from initial application of HKFRS 15		–	–	–	15,148	124,817	–	–	–	–
Reclassification from available-for-sale investments	(a)	(66,618)	44,232	22,386	–	–	–	496	(496)	–
Remeasurement – Impairment under ECL model	(b)	–	–	–	(966)	(943)	–	–	(1,841)	(68)
Opening balance at 1 January 2018		–	44,232	22,386	114,436	123,874	238,694	(546)	146,860	16,710

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 *Financial Instruments* (Continued)

(a) *Available-for-sale ("AFS") investments*

From AFS to debt instruments at FVTOCI

Listed bond with a fair value of HK$22,386,000 were reclassified from AFS investments to debt instrument at FVTOCI, as this investment is held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of the investment is solely payments of principal and interest on the principal amount outstanding. Related fair value losses of HK$546,000 continued to accumulate in the investment revaluation reserve as at 1 January 2018.

From AFS to financial assets at FVTPL

Listed perpetual bonds with a fair value of HK$44,232,000 were reclassified from AFS investments to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. Related fair value loss of HK$496,000 were transferred from the investment revaluation reserve to retained profits as at 1 January 2018.

(b) *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables are grouped based on internal credit rating. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including, bank balances and other receivables, are assessed on 12-month ("12m") ECL basis as there had been no significant increase in credit risk since initial recognition.

The Group's debt instrument at FVTOCI is listed bond that are graded in the top credit rating among rating agencies. Therefore, this investment is considered to be low credit risk investments and the loss allowance is assessed on 12m ECL basis.

As at 1 January 2018, additional credit loss allowance of HK$1,841,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset as below. Non-controlling interests of HK$68,000 has been recognised with respect of such additional loss allowance.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 *Financial Instruments* (Continued)

(b) *Impairment under ECL model (Continued)*

All loss allowances as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Contract assets HK$'000	Trade receivables HK$'000
At 31 December 2017– HKAS 39	–	2,433
Amounts remeasured through opening retained profits	943	966
At 1 January 2018	**943**	**3,399**

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised.

	31 December 2017 (Audited) HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 (Restated) HK$'000
Non-current Assets				
Property, plant and equipment	20,690	–	–	**20,690**
Goodwill	31,688	–	–	**31,688**
Intangible assets	5,748	–	–	**5,748**
AFS investments	66,618	–	(66,618)	**–**
Financial assets at FVTPL	–	–	44,232	**44,232**
Debt instrument at FVTOCI	–	–	22,386	**22,386**
Rental and utility deposits	8,088	–	–	**8,088**
	132,832	–	–	**132,832**
Current Assets				
Contract assets	–	124,817	(943)	**123,874**
Amounts due from customers for contract work	139,965	(139,965)	–	**–**
Trade receivables	100,254	15,148	(966)	**114,436**
Deposits, prepayments and other receivables	5,492	–	–	**5,492**
Other current assets	2,800	–	–	**2,800**
Income tax recoverable	2,541	–	–	**2,541**
Bank balances and cash	233,807	–	–	**233,807**
	484,859	–	(1,909)	**482,950**

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 (Audited) HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 (Restated) HK$'000
Current Liabilities				
Trade payables	4,714	–	–	**4,714**
Accruals and other payables	86,413	–	–	**86,413**
Amounts due to customers for contract work	64,239	(64,239)	–	**–**
Contract liabilities	–	64,239	–	**64,239**
Contingent consideration payable	6,800	–	–	**6,800**
Income tax payable	2,167	–	–	**2,167**
Unsecured bank borrowings	35,350	–	–	**35,350**
	199,683	–	–	**199,683**
Net Current Assets	285,176	–	(1,909)	**283,267**
Total Assets less Current Liabilities	418,008	–	(1,909)	**416,099**
Non-current liability				
Deferred tax liabilities	3,816	–	–	**3,816**
Net assets	414,192	–	(1,909)	**412,283**
Capital and Reserves				
Issued capital	2,883	–	–	**2,883**
Reserves	394,531	–	(1,841)	**392,690**
Equity attributable to owners of the Company	397,414	–	(1,841)	**395,573**
Non-controlling interests	16,778	–	(68)	**16,710**
Total Equity	414,192	–	(1,909)	**412,283**

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

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

New and Amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a Business*[4]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[5]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2020.

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

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

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

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments 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.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

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

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

HKFRS 16 Leases (Continued)

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$95,174,000 as disclosed in note 34. 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$10,477,000 as rights and obligations 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in 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 HKFRS 9/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 are initially measured at the non-controlling interests' proportionate share 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 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. 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 or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for an presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

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 trade receivables.

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.

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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income and interest expense are recognised on an effective interest basis.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instrument subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instrument classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "loss on fair value changes of financial assets at fair value through profit or loss" line item of the consolidated financial statements.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, bank balances, contract assets and listed bond). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that or more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments (i.e. the Group's trade receivables, other receivables and contract assets are each assessed as a separate group;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instrument that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investment in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement at financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets of the Group are classified as AFS 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.

(i) *AFS financial assets*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables.

Debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS 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 AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, 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 (before application of HKFRS 9 on 1 January 2018)

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 (before application of HKFRS 9 on 1 January 2018) (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, and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivable, 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 trade receivables 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 AFS 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 AFS 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.

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the Investment revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability (i) is contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gain or losses arising on remeasurement recognised in profit or loss.

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 of financial liabilities

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

Leasing

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

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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.

The recoverable amount of tangible and intangible assets are estimated individually, 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 payments

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. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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 board of 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 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.

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.

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

Key sources of estimation uncertainty (Continued)

Revenue recognition from contracts with customers

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.

The management estimates the amount of foreseeable losses or attributable profits of contract work including architecture, landscape architecture, town planning, interior design and heritage conservation 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 of 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.

Estimated impairments of trade receivables and contract assets

The Group estimates the amount of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, ageing and past due status of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 42, 25 and 23.

Estimated impairment of goodwill

Determining the amount of impairment for goodwill requires an estimation of the receivable 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 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 2018, the carrying amount of goodwill is HK$31,450,000 (2017: HK$31,688,000). Details of impairment testing of goodwill are set out in note 16.

5. REVENUE AND SEGMENT INFORMATION

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

Performance obligations for contracts with customers

The Group provides comprehensive architectural services and BIM services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these services based on the stage of completion of the contract using input method.

The Group's architecture and BIM contracts include payment schedules which require stage payments over the services period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 5% to 10% of total contract sum. When the Group receives a deposit before services commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. 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. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables when the Group achieved the specific milestones in corresponding contracts.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from 6 month to 1 year from the date of the practical completion of the services. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the services performed comply with agreed–upon specifications and such assurance cannot be purchased separately.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Comprehensive architectural services HK$'000	BIM services HK$'000
Within one year	596,897	23,450
More than one year but not more than two years	312,030	14,402
More than two years	378,802	13,790
	1,287,729	51,642

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 38. 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.

Inter-segment revenue were charged at cost plus margin basis.

Segment revenue and results

The following is an analysis of the Group's revenue from contracts with customers and results by operating and reportable segments:

For the year ended 31 December 2018

	Comprehensive architectural services HK$'000	BIM services HK$'000	Reportable Segment total HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue					
Architecture services	545,938	–	545,938	–	545,938
Landscape architecture, town planning, interior design and heritage conservation services	82,605	–	82,605	–	82,605
BIM services	–	43,055	43,055	–	43,055
External revenue	628,543	43,055	671,598	–	671,598
Inter-segment revenue	–	11,102	11,102	(11,102)	–
Total	628,543	54,157	682,700	(11,102)	671,598
Segment results					
Reportable segment results	60,224	13,492	73,716	–	73,716
Reconciliation					
Unallocated other income					4,717
Other unallocated corporate expenses					(10,302)
Loss on fair value changes of financial assets at FVTPL					(2,846)
Consolidated profit before tax					65,285

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

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 certain other income, loss on fair value changes of financial assets at FVTPL and corporate expenses incurred by the Company. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2018

Amounts included in the measure of segment profit or loss:

	Comprehensive architectural services HK$'000	BIM services HK$'000	Reportable segment total HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation and amortisation	**8,163**	**828**	**8,991**	**–**	**8,991**
Recognition of equity-settled share-based payments	**5,139**	**471**	**5,610**	**3,196**	**8,806**
Loss on disposal/written off of property, plant and equipment	**28**	**–**	**28**	**–**	**28**
Impairment loss, net of reversal	**757**	**211**	**968**	**–**	**968**
Finance costs	**1,389**	**–**	**1,389**	**436**	**1,825**

For the year ended 31 December 2017

Amounts included in the measure of segment profit or loss:

	Comprehensive architectural services HK$'000	BIM services HK$'000	Reportable segment total HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation and amortisation	6,908	45	6,953	–	6,953
Recognition of equity-settled share-based payments	1,214	–	1,214	1,619	2,833
Loss on disposal/written off of property, plant and equipment	997	–	997	–	997
Reversal of allowance for doubtful debts	(407)	–	(407)	–	(407)
Written off of bad debts	307	–	307	–	307
Finance costs	629	–	629	–	629

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, debt instrument at FVTOCI, financial assets at FVTPL and AFS investments.

	Revenue from external customers		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Geographical markets				
Hong Kong	**166,750**	160,088	**56,907**	52,853
The PRC	**480,550**	285,227	**15,918**	12,404
Macau	**19,662**	10,453	**–**	–
Others	**4,636**	–	**1,300**	957
	671,598	455,768	**74,125**	66,214

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:

	2018	2017
	HK$'000	HK$'000
Customer A [1]	**72,785**	49,272

(1) Revenue from comprehensive architectural services and BIM services

6. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Interest income on debt instrument at FVTOCI	**1,042**	–
Interest income on financial assets at FVTPL	**2,524**	–
Interest income from AFS investments	**–**	1,395
Interest income from bank deposits	**1,538**	855
Others	**144**	17
	5,248	2,267

7. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Loss on disposal/written off of property, plant and equipment	**(28)**	(997)
Reversal of allowance for doubtful debts	**–**	407
Written off of bad debts	**–**	(307)
Loss on fair value changes in contingent consideration payable	**(197)**	–
Net foreign exchange (loss) gain	**(2,698)**	2,686
Others	**(151)**	–
	(3,074)	1,789

8. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 HK$'000	2017 HK$'000
Impairment losses recognised (reversed) on:		
– Trade receivables	**1,636**	–
– Contract assets	**(668)**	–
	968	–

Details of impairment assessment for the year ended 31 December 2018 are set out in note 42.

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expense on:		
Bank borrowings	**1,825**	622
Obligations under finance leases	**–**	7
	1,825	629

10. PROFIT BEFORE TAX

	2018 HK$'000	2017 HK$'000
Profit before tax has been arrived at after charging:		
Auditor's remuneration (including remuneration for non-audit services)	**1,717**	1,510
Depreciation of property, plant and equipment	**8,126**	6,622
Amortisation of intangible assets (note 1)	**865**	331
Operating lease payments (note 2)	**38,483**	31,018
Staff costs		
– Salaries, allowances and other benefits	**412,700**	278,732
– Operating lease payments	**1,020**	901
– Contributions to retirement benefit schemes	**13,705**	8,758
– Equity-settled share-based payments	**8,806**	2,833
Total staff costs (including director's emoluments)	**436,231**	291,224

Notes:

(1) Included in cost of services.

(2) For the year ended 31 December 2018, the amount includes operating lease payments for staff quarters amounting to HK$1,020,000 (2017: HK$901,000), which are included in the total staff costs above.

11. 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	Share-based payments HK$'000	Bonuses *(Note 4)* HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2018						
Executive directors (Note 1)						
Mr. Liang Ronald	**1,200**	**8,369**	**810**	**2,348**	**96**	**12,823**
Mr. Liu Gui Sheng	**–**	**–**	**763**	**–**	**–**	**763**
Mr. Fu Chin Shing ("Mr. Fu") *(Note 2)*	**1,000**	**5,958**	**750**	**2,948**	**86**	**10,742**
Mr. Wang	**400**	**4,386**	**610**	**1,800**	**58**	**7,254**
Mr. Liu Yong	**–**	**–**	**218**	**–**	**–**	**218**
Mr. Ma Kwai Lam Lambert	**400**	**1,844**	**329**	**400**	**18**	**2,991**
	3,000	**20,557**	**3,480**	**7,496**	**258**	**34,791**
Independent non-executive directors (Note 3)						
Mr. Lo Wai Hung	**168**	**–**	**–**	**–**	**–**	**168**
Mr. Yu Chi Hang (alias, Yue Chi Hang)	**168**	**–**	**–**	**–**	**–**	**168**
Ms. Su Ling	**168**	**–**	**–**	**–**	**–**	**168**
	504	**–**	**–**	**–**	**–**	**504**
2017						
Executive directors (Note 1)						
Mr. Liang Ronald	1,200	6,844	173	2,801	96	11,114
Mr. Liu Gui Sheng *(Note 5)*	–	–	173	–	–	173
Mr. Fu *(Note 2)*	1,000	4,912	139	2,776	84	8,911
Mr. Wang	400	3,684	132	2,011	57	6,284
Mr. Liu Yong *(Note 5)*	–	–	49	–	–	49
Mr. Ma Kwai Lam Lambert *(Note 5)*	267	1,078	73	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	18,496	739	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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

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

Notes:

(1) The executive directors' 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 directors' emoluments shown above were for their services as directors of the Company.

(4) The performance related bonus is defined by reference to the performance of the Group for the years ended 31 December 2018 and 2017.

(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.

Mr. Liu Gui Sheng and Mr. Liu Yong waived their entitled emoluments of HK$1,200,000 and HK$400,000 during the year ended 31 December 2018 respectively and waived their entitled emoluments of HK$800,000 and HK$267,000 during the year ended 31 December 2017 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 2018 and 2017.

During the years ended 31 December 2018 and 2017, 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.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five highest paid individuals in the Group, three (2017: three) 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 (2017: two) highest paid employees are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	**5,348**	3,692
Performance related bonuses	**1,092**	430
Retirement benefit scheme contributions	**36**	24
	6,476	4,146

Their individual emoluments were within the range of HK$3,000,001 to HK$3,500,000 (2017: HK$2,000,001 to HK$2,500,000).

12. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
The income tax expense (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	**3,729**	929
The PRC Enterprise Income Tax ("EIT")	**11,805**	6,563
Under(over) provision of Hong Kong Profits Tax in prior years	**121**	(769)
	15,655	6,723
Deferred tax (Note 22):		
Current year	**(1,552)**	1,705
	14,103	8,428

12. INCOME TAX EXPENSE (Continued)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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 wholly owned 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 tax rate of 15% for both years.

Macau profits tax is calculated at rate of 12% after exemption allowance of MOP600,000 (equivalent to HK$582,180).

Details of deferred taxation are set out in note 22.

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:

	2018 HK$'000	2017 HK$'000
Profit before tax	**65,285**	41,783
Tax at the domestic income tax rate of 16.5% (2017: 16.5%) (Note)	**10,772**	6,894
Tax effect of expenses not deductible for tax purpose	**3,103**	1,810
Tax effect of income not taxable for tax purpose	**(5)**	(284)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(896)**	(408)
Effect of different tax rates of profits generated in the PRC by Hong Kong entities	**800**	790
Income tax at concessionary rate	**(165)**	–
Tax effect of tax losses not recognised	**401**	358
Under(over) provision in prior years	**121**	(769)
Others	**(28)**	37
Income tax expense for the year	**14,103**	8,428

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

13. 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:

	2018 HK$'000	2017 HK$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**46,982**	33,491
Number of shares:	**2018**	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	**288,260,780**	258,962,289
Effect of dilutive potential ordinary shares in respect of share options outstanding	**1,430,085**	3,453,393
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**289,690,865**	262,415,682

The computation of diluted earnings per share for the year ended 31 December 2018 does not assume the exercise of certain share options granted by the Company and the share options granted by a subsidiary because the relevant exercise prices of those options were higher than the relevant average market prices for the year ended 31 December 2018.

The computation of diluted earnings per share for the year ended 31 December 2017 does not assume the exercise of certain share options of the Company because the exercise price of those options was higher than the average market prices of shares for the year ended 31 December 2017.

14. DIVIDENDS

	2018 HK$'000	2017 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 interim dividend of HK3.0 cents (2017: 2017 interim dividend of nil) per share	**8,648**	–
2017 final dividend of HK4.0 cents (2017: 2016 final dividend of HK3.0 cents) per share	**11,530**	8,331
	20,178	8,331

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK2.0 cents (2017: final dividend in respect of the year ended 31 December 2017 of HK4.0 cents) per share, in an aggregate amount of HK$5,765,000 (2017: HK$11,530,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. 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 2017	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 38)	–	80	–	80
Exchange realignment	289	1,054	–	1,343
At 31 December 2017	18,684	39,683	1,888	60,255
Additions	1,845	9,070	–	10,915
Disposals/written off	–	(277)	–	(277)
Exchange realignment	(270)	(944)	–	(1,214)
At 31 December 2018	20,259	47,532	1,888	69,679
ACCUMULATED DEPRECIATION				
At 1 January 2017	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
Charge for the year	3,428	4,565	133	8,126
Eliminated on disposals/written off	–	(249)	–	(249)
Exchange realignment	(195)	(697)	–	(892)
At 31 December 2018	12,813	32,136	1,601	46,550
CARRYING VALUES				
At 31 December 2018	7,446	15,396	287	23,129
At 31 December 2017	9,104	11,166	420	20,690

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, less their estimated residual values 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%

16. GOODWILL

	LWK Architecture HK$'000	Cfu Come Limited ("Cfu Come") HK$'000	isBIM HK$'000	Total HK$'000
COST AND CARRYING VALUES				
At 1 January 2017	4,266	16,631	–	20,897
Acquisition of isBIM (Note 38)	–	–	10,463	10,463
Exchange realignment	328	–	–	328
At 31 December 2017	4,594	16,631	10,463	31,688
Exchange realignment	(238)	–	–	(238)
At 31 December 2018	4,356	16,631	10,463	31,450

For the purpose of impairment testing, goodwill 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 2018 and 2017, the management of the Group determines that there is no impairment of any of its cash-generating units containing goodwill.

16. 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 2018 and 2017. LWK Architecture's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. The growth rate is based on 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 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 has been allocated to Cfu Come CGU for impairment testing purpose. Details of the mobile application are set out in note 17.

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 2018 and 2017. 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.

isBIM CGU

Goodwill arose from the acquisition of 49% equity interest in isBIM during the year ended 31 December 2018 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 19.6% as at 31 December 2018 and 2017. isBIM 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.

17. INTANGIBLE ASSETS

	BIM platform under development HK$'000	License HK$'000	Customer relationship HK$'000	Club membership HK$'000	Mobile application HK$'000	Mobile application under development HK$'000	Total HK$'000
COST							
At 1 January 2017	–	4,250	–	569	277	–	5,096
Additions	–	–	–	–	694	–	694
Acquired upon acquisition of subsidiaries (Note 38)	–	–	4,023	–	–	–	4,023
Exchange realignment	–	327	–	–	–	–	327
At 31 December 2017	–	4,577	4,023	569	971	–	10,140
Additions	2,060	–	–	–	–	1,623	3,683
Exchange realignment	–	(237)	–	–	–	–	(237)
At 31 December 2018	2,060	4,340	4,023	569	971	1,623	13,586
AMORTISATION							
At 1 January 2017	–	3,760	–	–	–	–	3,760
Charge for the year	–	289	42	–	–	–	331
Exchange realignment	–	301	–	–	–	–	301
At 31 December 2017	–	4,350	42	–	–	–	4,392
Charge for the year	–	224	503	–	138	–	865
Exchange realignment	–	(234)	–	–	–	–	(234)
At 31 December 2018	–	4,340	545	–	138	–	5,023
CARRYING VALUES							
At 31 December 2018	2,060	–	3,478	569	833	1,623	8,563
At 31 December 2017	–	227	3,981	569	971	–	5,748

BIM platform under development, mobile application and mobile application under development are internally generated and are amortised on a straight-line basis over seven years. The license is amortised over its remaining license period of five years expired in September 2018. Customer relationship is amortised on a straight-line basis over eight years. Club membership have an indefinite useful life is stated at cost less accumulated impairment losses.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Interest rate	Maturity date	2018 HK$'000
Financial assets mandatorily measured at FVTPL:			
Listed bond A	**6.5%**	**Perpetual**	**21,493**
Listed bond B	**5.0%**	**Perpetual**	**19,985**
			41,478

Listed perpetual bonds with a fair value of HK$41,478,000 were classified as financial assets at FVTPL, as the contractual cash flows of these investments are not solely payments of principal and interest on the principal amount outstanding.

19. DEBT INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Interest rate	Maturity date	2018 HK$'000
Listed bond	**4.75%**	**27 April 2027**	**20,456**

Details of impairment assessment are set out in note 42.

20. AVAILABLE-FOR-SALE INVESTMENTS

AFS investments as at 31 December 2017 comprise of listed debt securities in Hong Kong (classified as Level 2 fair value measurement and is derived from quoted market price).

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Rental and utility deposits paid	**11,169**	8,165
Prepayments	**6,886**	528
Prepaid disbursements	**1,062**	1,491
Other receivables	**1,779**	3,396
	20,896	13,580
Analysed for reporting purposes as:		
Non-current assets	**10,983**	8,088
Current assets	**9,913**	5,492
	20,896	13,580

22. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Amounts due from/to customers for contract work HK$'000	Contract assets/ contract liabilities 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 2017	177	(1,981)	–	(120)	–	926	413	(585)
Initial recognition upon acquisition of subsidiaries (Note 38)	–	–	–	(664)	(858)	–	–	(1,522)
(Charge) credit to profit or loss	(749)	168	–	(64)	4	(651)	(413)	(1,705)
Exchange realignment	–	–	–	(4)	–	–	–	(4)
At 31 December 2017	(572)	(1,813)	–	(852)	(854)	275	–	(3,816)
Application of HKFRS9 (Note 2)	–	1,813	(1,813)	–	–	–	–	–
At 1 January 2018 (restated)	(572)	–	(1,813)	(852)	(854)	275	–	(3,816)
Credit (charge) to profit or loss	17	–	300	173	295	832	(65)	1,552
At 31 December 2018	(555)	–	(1,513)	(679)	(559)	1,107	(65)	(2,264)

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:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**998**	–
Deferred tax liabilities	**(3,262)**	(3,816)
	(2,264)	(3,816)

No deferred tax asset has been recognised in respect of the unutilised tax losses of HK$11,425,000 (2017: HK$8,995,000) 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$113,761,000 (2017: HK$68,502,000) 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.

23. CONTRACT ASSETS

	31 December 2018 HK$'000	1 January 2018* HK$'000
Comprehensive architectural services	**105,370**	111,627
BIM services	**15,753**	12,247
	121,123	123,874

* The amounts in this column are after the adjustments from the application of HKFRS 9 and 15.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's comprehensive architectural services and BIM services contracts include payment schedules which require stage payments over the service period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 5% to 10% of total contract sum as part of its credit risk management policies. The Group typically transfers the contract assets to trade receivables as "unbilled receivable" when the Group achieved the specific milestones in the corresponding contracts.

The Group also typically agrees to a retention period ranging from 6 months to 1 year for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the completion of services.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Disclosure requirement relating to ECL after application of HKFRS 9 is set out in note 42.

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

	2017 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
Less: Progress billings	(1,720,244)
	75,726
Analysed for reporting purposes as:	
Amounts due from customers for contract work	139,965
Amounts due to customers for contract work	(64,239)
	75,726

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

25. TRADE RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**219,711**	102,687
Less: Allowance for credit losses/doubtful debts	**(4,526)**	(2,433)
	215,185	100,254

As at 31 December 2018, total bills amounting to HK$4,387,000 are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills held by the Group are with a maturity period of less than one year.

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$215,185,000 and HK$114,436,000 respectively.

As at 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables of HK$2,433,000 which have been long outstanding. The Group does not hold any collateral over these balances.

25. TRADE RECEIVABLES (Continued)

The following is an aged analysis of trade receivables, presented based on the invoice date at the end of the reporting period, and net of allowance for credit losses/doubtful debts recognised:

	2018 HK$'000	2017 HK$'000
Unbilled receivable (note)	**72,989**	–
Within 30 days	**49,160**	26,999
Over 30 days and within 90 days	**47,855**	33,741
Over 90 days and within 180 days	**22,435**	16,644
Over 180 days	**22,746**	22,870
	215,185	100,254

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

As at 31 December 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$31,646,000 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 trade receivables as at 31 December 2017 which are past due but not impaired:

	2017 HK$'000
Overdue	
Within 30 days	5,436
Over 30 days and within 90 days	11,389
Over 90 days and within 180 days	4,296
Over 180 days	10,525
	31,646

As at 31 December 2018, in respect of trade receivables which are past due over 180 days with carrying amount of HK$14,859,000 (2017: HK$10,525,000), the Group has received HK$1,505,000 (2017: HK$5,303,000) from group company of the customer as security deposit for the contract work over these trade receivables, which are included in accruals and other payables.

25. TRADE RECEIVABLES (Continued)

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

	2017 HK$'000
At 1 January	2,766
Provided during the year	(407)
Written off during the year	(77)
Exchange realignment	151
31 December	2,433

Disclosure requirement relating to ECL after application of HKFRS 9 is set out in note 42.

26. OTHER CURRENT ASSETS

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

27. BANK BALANCES AND CASH

As at 31 December 2018, bank balances carry interest at market rates which range from 0.01% to 5.00% (2017: 0.01% to 5.00%) per annum.

28. TRADE PAYABLES

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

	2018 HK$'000	2017 HK$'000
Within 30 days	**3,382**	2,777
Over 30 days and within 90 days	**87**	129
Over 90 days	**1,082**	1,808
	4,551	4,714

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.

29. ACCRUALS AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Accrued payroll costs and bonuses	**70,695**	50,052
Refundable deposits received from customers	**1,867**	16,974
Other tax payables	**19**	1,763
Accrued expenses and other payables	**7,052**	17,624
	79,633	86,413

30. CONTRACT LIABILITIES

	31 December 2018 HK$'000	1 January 2018* HK$'000
Comprehensive architectural services	**70,304**	63,255
BIM services	**1,348**	984
	71,652	64,239

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The following table shows how much of the revenue recognized in the current year relates to carried-forward contract liabilities.

	Comprehensive architectural services HK$'000	BIM services HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	53,260	520

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 5%-10% deposit from certain customers before the service commences.

The Group considers the advance payment schemes contain significant financing component. In the opinion of the directors of the Company, if considered the amount of consideration adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant group entities are immaterial.

31. CONTINGENT CONSIDERATION PAYABLE

Amount of last year represents fair value of contingent consideration payable for the subscription of 49% of enlarged share capital of isBIM at the year ended 31 December 2017. Further details are set out in note 38.

32. 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 2.37% to 4.37% (2017: 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.

33. ISSUED CAPITAL

Ordinary shares of HK$0.01 each	Number of shares	Share capital HK$'000
Authorised		
At 1 January 2017, 31 December 2017 and 2018	1,000,000,000	10,000
Issued and fully paid		
At 1 January 2017	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 and 2018	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 securities during the years ended 31 December 2018 and 2017.

34. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2018 HK$'000	2017 HK$'000
Within one year	**38,616**	27,843
In the second to fifth years inclusive	**56,558**	26,588
Total	**95,174**	54,431

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.

35. 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 2018, the retirement benefit scheme contributions made by the Group amounted to HK$13,705,000 (2017: HK$8,758,000).

36. RELATED PARTY TRANSACTIONS

During the year, the Group recognised revenue of HK$6,690,000 (2017: HK$5,926,000) from its comprehensive architectural services and BIM 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 11.

37. 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.

37. 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 (note c)	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 (note c)	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
2018 Grant	Executive directors	1 November 2018	10,800,000	1 November 2018 to 31 October 2023	1 November 2023 to 31 October 2025	HK$2.33	HK$0.88
2018 Grant	Executive directors	1 November 2018	3,200,000	1 November 2018 to 31 October 2021	1 November 2021 to 31 October 2023	HK$2.33	HK$0.83
2018 Grant	Other employees	1 November 2018	4,100,000	1 November 2018 to 31 October 2021	1 November 2021 to 31 October 2023	HK$2.33	HK$0.82

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.

(c) Equity-settled share-based payments to consultants who provide similar services as employees are measured at the fair value of the equity instruments at the grant date.

37. 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 2018. On 1 November 2018, 18,100,000 options were granted under the Share Option Scheme and the estimated fair value of the options granted on this date was HK$14,396,000.

	Outstanding at 1.1.2018	Granted during the year	Exercised during the year	Lapsed/ Forfeited during the year	Outstanding at 31.12.2018
2016 Grant	2,600,000	–	–	(2,600,000)	–
2017 Grant 1	3,800,000	–	–	–	3,800,000
2017 Grant 2	25,360,000	–	–	(460,000)	24,900,000
2018 Grant	–	18,100,000	–	–	18,100,000
	31,760,000	18,100,000	–	(3,060,000)	46,800,000
Exercisable at the end of the year					–
Weighted average exercise price	HK$2.61	HK$2.33	–	HK$2.75	HK$2.49

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 value of the options granted on those dates were HK$3,313,000 and HK$22,791,000 respectively.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

	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

During the year ended 31 December 2017, the weighted average share price at the dates of exercise was HK$2.62.

Fair values were calculated using the Binomial option pricing model. The major inputs into the model were as follows:

	2017 Grant 1	2017 Grant 2		2018 Grant	
	Consultants	Executive directors	Executive directors and other employees	Executive directors	Executive directors and other employees
Exercise price	HK$3.29	HK$2.49	HK$2.49	HK$2.33	HK$2.33
Expected volatility	39.72%	40.47%	41.57%	44.98%	47.69%
Expected life	3 years	7 years	5 years	7 years	5 years
Risk-free rate	1.15%	1.52%	1.35%	2.40%	2.37%
Expected dividend yield	0.91%	1.20%	1.20%	2.60%	2.60%

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$8,335,000 (2017: HK$2,833,000) for the year ended 31 December 2018 in relation to share options granted by the Company.

38. 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 principally 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 in the year ended 31 December 2017. 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 ended 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.

During the year ended 31 December 2018, since isBIM satisfied with the profit target as set out in the deed of subscription, the Group further contributed HK$13,720,000 to isBIM and HK$6,997,000 have been adjusted to the non-controlling interests to reflect their proportionate share of net assets of isBIM and its subsidiary. The difference between the contingent consideration payable and the amount adjusted to the non-controlling interests amounted to HK$197,000 is charged to the profit or loss in the current year.

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 year ended 31 December 2017.

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
Amounts due from customers for contract work	10,654
Bank balances and cash	30,814
Amounts 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

38. ACQUISITION OF isBIM (Continued)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred in 2017	20,580
Contingent Consideration	6,800
Plus: non-controlling interests (51% in isBIM)	17,607
Less: Net assets acquired	(34,524)
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 for the year ended 31 December 2017 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 ended 31 December 2017 is profit of HK$1,136,000 attributable to the additional business generated by isBIM. Revenue for the year ended 31 December 2017 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 ended 31 December 2017 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.

39. 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:

	2018 HK$'000	2017 HK$'000 (Note)
Profit for the year allocated to non-controlling interests	**4,799**	579
Accumulated balance of non-controlling interests at the reporting date	**30,317**	18,208

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

	2018 HK$'000	2017 HK$'000
Revenue	**52,383**	3,153
Total expenses	**(40,762)**	(1,656)
Profit for the year	**9,409**	1,136
Total comprehensive income for the year	**9,583**	1,178
Current assets	**64,141**	47,341
Non-current assets	**9,514**	4,141
Current liabilities	**(13,005)**	(14,269)
Non-current liabilities	**(1,204)**	(1,511)
Net cash (outflow) inflow from operating activities	**(13,849)**	290
Net cash outflow from investing activities	**(3,377)**	–
Net cash inflow from financing activities	**13,720**	–
Net cash (outflow) inflow	**(3,506)**	290

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

40. 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 2018	2017	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%**	100% (Note a)	Renminbi ("RMB") 10,000,000	Provision of comprehensive architectural services
Cfu Come	Hong Kong 6 July 2015	Hong Kong	**84.4%**	84.4% (Note b)	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%**	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.

41. 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 32, 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.

42. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
AFS investments	–	66,618
Financial assets at FVTPL	41,478	–
Debt instrument at FVTOCI	20,456	–
Loans and receivables (including cash and cash equivalents)	–	338,948
Amortised cost	399,068	–
	461,002	405,566
Financial liabilities		
FVTPL	–	6,800
Amortised cost	67,681	74,662
	67,681	81,462

b. Financial risk management objectives and policies

The Group's major financial instruments include financial asset at FVTPL, debt instruments at FVTOCI, AFS investments, trade receivables, other receivables, bank balances and cash, trade payables, other payables, contingent consideration payable, 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.

42. 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 variable-rate bank balances and unsecured 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 points 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 2018 would decrease/increase by HK$226,000 (2017: HK$148,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Currency risk

Certain AFS investments, financial assets at FVTPL, debt instruments at FVTOCI, trade receivables, 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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**60,866**	65,553	**(1,867)**	(12,178)
Japanese Yen ("YEN")	**1,948**	1,379	**–**	–
United States dollars ("US$")	**3,952**	71,286	**–**	–
	66,766	138,218	**(1,867)**	(12,178)

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

In addition, 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 2018 which is denominated in RMB. As at 31 December 2018, the aggregate foreign currency denominated intra-group balance is HK$39,456,000 (2017: HK$2,780,000).

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$. The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in the functional currency of the relevant Group entities of HK$ against the foreign currency of RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the 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 RMB. For a 5% strengthening of HK$ against RMB, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

	2018 **HK$'000**	2017 HK$'000
Effect of post-tax profit	**4,111**	2,402

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

Other price risk

The Group is exposed to price risk through its AFS investments, debt instrument at FVTOCI and financial assets at FVTPL. The management manages this exposure by monitoring its portfolio of investments.

Sensitivity analysis

If the market price of the respective AFS investments and debt instrument at FVTOCI had been 5% higher/lower, the Group's investment revaluation reserve as at 31 December 2018 would increase/decrease by HK$1,023,000 (2017: HK$3,331,000), which would be recognised in profit or loss if the drop is considered as an impairment loss.

If the market price of the financial assets at FVTPL had been 5% higher/lower, the post-tax profit for the year ended 31 December 2018 would increase/decrease by HK$1,732,000 (2017: nil) as a result of the change in fair value of the financial assets at FVTPL.

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at 31 December 2018, 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 amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables and contract assets arising from contracts with customers

As at 31 December 2018, the Group's concentration of credit risk by geographical locations of the projects is in the PRC, which accounted for HK$160,301,000 (2017: HK$58,176,000) of the trade receivables.

The Group has a concentration of credit risk from its major customers. For the year ended 31 December 2018, aggregate revenue from the top five customers of the Group accounted for 29.6% (2017: 42.2%) of the total revenue. Amounts due from them as at 31 December 2018 amounted to approximately HK$46,956,000 (2017: HK$32,213,000), representing 21.8% (2017: 32.1%) of the trade receivables. These major customers are mainly property developers in Hong Kong and the PRC with good reputation.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality. Scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balance or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bank balances

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

Debt instrument at FVTOCI

The Group's debt instrument at FVTOCI comprise listed bond that is graded in investment grade as per globally understood definitions.

Other receivables

The Group has considered that credit risk on other receivables has not increased significantly since initial recognition and has assessed the expected credit loss rate under 12m ECL method based on the Group's assessment in the risk of default of the respective counterparties.

As at 31 December 2018, the Group has assessed that the expected loss rates for other receivables was immaterial. Thus no loss allowance for other receivables was recognised.

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
High	The counterparties are multinational companies, listed companies or entities in public sectors which have a low risk of the default through information developed internally or external resources	Lifetime ECL–not credit-impaired	12m ECL
Medium	The counterparties are unlisted entities or small to medium entities	Lifetime ECL–not credit-impaired	12m ECL
Low	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL–not credit-impaired	Lifetime ECL–not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL– credit-impaired	Lifetime ECL–credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposure of the Group's financial assets and contract assets, which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					HK'000	HK'000
Debt instrument at FVTOCI						
Listed bond	19	Baa1	High	12m ECL	20,456	20,456
Financial assets at amortised costs						
Trade receivables (note 1)	25	N/A	High	Lifetime ECL (provision matrix)	135,148	
			Medium	Lifetime ECL (provision matrix)	77,529	
			Low	Lifetime ECL (provision matrix)	2,821	
			Loss	Credit-impaired	4,213	219,711
Bank balances	27	A-3 to A-1+	N/A	12m ECL	182,104	182,104
Rental and utility deposits (note 2)	21	N/A	High	12m ECL	11,169	11,169
Other receivables (note 2)	21	N/A	High	12m ECL	1,779	1,779
Other item						
Contract assets (note 1)	23	N/A	High	Lifetime ECL (provision matrix)	112,449	
		N/A	Medium	Lifetime ECL (provision matrix)	8,949	121,398

Notes:

1. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

2. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired). Debtors which are credit-impaired with gross carrying amounts of HK$4,213,000 as at 31 December 2018 were assessed individually.

Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Grades 1-5: High	0.08%	135,148	112,449
Grade 6: Medium	1.59%	77,529	8,949
Grades 7-8: Low	25.57%	2,821	–
		215,498	121,398

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, the Group provided HK$1,428,000 impairment allowance and reversed HK$668,000 impairment allowance for trade receivables and contract assets respectively, based on the provision matrix. Impairment allowance of HK$208,000 were made on debtors which are credit impaired debtors.

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Gross carrying amount (Continued)

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not-credit-impaired) HK$'000	Total HK$'000
As at 31 December 2017 under HKAS 39	–	–
Adjustment upon application of HKFRS 9	943	943
As at 1 January 2018 – As restated	943	943
Impairment losses reversed	(668)	(668)
As at 31 December 2018	275	275

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 31 December 2017 under HKAS 39	–	2,433	2,433
Adjustment upon application of HKFRS 9	966	–	966
	966	2,433	3,399
As at 1 January 2018 — As restated			
Transfer to credit-impaired	(328)	328	–
Impairment losses recognised	1,428	208	1,636
Write-offs	–	(404)	(404)
Exchange adjustments	–	(105)	(105)
As at 31 December 2018	2,066	2,460	4,526

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

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$21,000,000 (2017: HK$34,650,000). 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.

The following tables 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 curve at the end of the reporting period.

	Weighted average interest rate %	On demand or less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December HK$'000
2018				
Trade payables	**–**	**4,551**	**4,551**	**4,551**
Other payables	**–**	**8,919**	**8,919**	**8,919**
Unsecured bank borrowings – variable rate	**4.36**	**54,211**	**54,211**	**54,211**
		67,681	**67,681**	**67,681**
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

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.

42. 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 31.12.2018 HK$'000	Fair value as at 31.12.2017 HK$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobserved inputs
AFS investments – listed debt securities in Hong Kong	**–**	66,618	Level 2	Based on the quoted market price.	N/A
Financial assets at FVTPL	**41,478**	–	Level 2	Based on the quoted market price.	N/A
Debt instrument at FVTOCI	**20,456**	–	Level 2	Based on the quoted market price.	N/A
Contingent consideration payable	**–**	(6,800)	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 i) Probability-adjusted profits with a range of HK$2,362,000 to HK$2,887,000 (Note ii)

Notes:

(i) 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.

(ii) 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.

43. 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 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.

	Dividend payable HK$'000 (Note 14)	Unsecured bank borrowings HK$'000 (Note 32)
At 1 January 2017	–	–
Financing cash flows	(8,331)	35,350
Dividend recognised as distribution	8,331	–
At 31 December 2017	–	35,350
Financing cash flows	(20,178)	18,861
Dividend recognised as distribution	20,178	–
At 31 December 2018	–	54,211

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**83,498**	77,281
Financial assets at FVTPL	**41,478**	–
Debt instrument at FVTOCI	**20,456**	–
AFS investments	**–**	66,618
Amounts due from subsidiaries	**100,296**	–
	245,728	143,899
Current assets		
Other receivables	**1,183**	1,888
Amounts due from subsidiaries	**59,681**	81,950
Bank balances and cash	**20,696**	75,768
	81,560	159,606
Current liabilities		
Accruals	**1,586**	327
Unsecured bank borrowings	**15,211**	–
	16,797	327
Net current assets	**64,763**	159,279
Net assets	**310,491**	303,178
Capital and reserves		
Issued capital	**2,883**	2,883
Reserves	**307,608**	300,295
Total equity	**310,491**	303,178

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

	Share premium HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	112,224	5,857	–	9,211	127,292
Profit for the year	–	–	–	13,225	13,225
Fair value loss on AFS investments	–	–	(1,042)	–	(1,042)
Total comprehensive (expense) income for the year	–	–	(1,042)	13,225	12,183
Issue of new shares	144,977	–	–	–	144,977
Recognition of equity-settled share-based payments	–	2,833	–	–	2,833
Exercise of share options	26,300	(4,959)	–	–	21,341
Lapse of share options	–	(418)	–	418	–
Dividends recognised as distribution	–	–	–	(8,331)	(8,331)
At 31 December 2017	283,501	3,313	(1,042)	14,523	300,295
Application of HKFRS 9	–	–	496	(496)	–
At 1 January 2018 (restated)	283,501	3,313	(546)	14,027	300,295
Profit for the year	–	–	–	21,130	21,130
Fair value loss on debt instrument at FVTOCI	–	–	(1,974)	–	(1,974)
Total comprehensive (expense) income for the year	–	–	(1,974)	21,130	19,156
Recognition of equity-settled share-based payments	–	8,335	–	–	8,335
Lapse of share options	–	(515)	–	515	–
Dividends recognised as distribution	–	–	–	(20,178)	(20,178)
At 31 December 2018	283,501	11,133	(2,520)	15,494	307,608

FINANCIAL SUMMARY

	For the year ended 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
RESULTS					
Revenue	384,384	354,799	358,944	455,768	**671,598**
Profit for the year	28,291	27,089	20,266	33,355	**51,182**
Earnings per share					
Basics (HK cents)	16.0	15.3	10.7	12.9	**16.3**
Diluted (HK cents)	15.9	14.7	10.5	12.8	**16.2**

	As at 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	339,702	363,054	373,131	617,691	**668,036**
Total liabilities	(209,513)	(182,723)	(174,145)	(203,499)	**(217,299)**
	130,189	180,331	198,986	414,192	**450,737**
Equity attribute to owners of the Company	130,539	180,680	199,266	397,414	**421,867**
Non-controlling interests	(350)	(349)	(280)	16,778	**28,870**
	130,189	180,331	198,986	414,192	**450,737**