思城控股有限公司
C CHENG HOLDINGS LIMITED

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

ANNUAL REPORT 2019

Yue Mansion, Yinchuan, China

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
338 King's Road
North Point
Hong Kong

HONG KONG LEGAL ADVISER

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

PRINCIPAL BANKERS

Hongkong and Shanghai 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
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Shenzhen
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AUDITOR

Ernst & Young
Certified Public Accountants
22/F
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

STOCK CODE

1486

CORPORATE WEBSITE

www.cchengholdings.com

CHAIRMAN'S STATEMENT

Landmark Riverside Danzishi Old Street, Chongqing, China

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") 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 2019.

GENERAL OVERVIEW

I am pleased to report that 2019 was another active year for the Group. Our major subsidiary, LWK & Partners (HK) Limited ("LWK HK") and its subsidiary ("LWK") was able to set up branch studios, broke new grounds in work types, moving disciplines from Hong Kong to Shenzhen, further enhancing and improving our reputation in mainland China and internationally by way of winning numerous awards.

As you may well know, Hong Kong was facing headwinds in one of the worst periods in its history in terms of negative impact from internal and external events. They are namely the trade war and the protest movement within Hong Kong. Their combined effect had created a difficult business environment for our Group. However over the years, our Group had been implementing a strategy of diversification in both professional disciplines and places of business. The present volume of work split is 30% Hong Kong and Macau, 67% the People's Republic of China (the "PRC") and 3% international. Their combined effect had not only reduced the negative impact in the overall sense but will enhance and upgrade our future competitiveness and profitability.

We have been in mainland China market for almost 20 years, as such it is without question still one of the most robust economies globally. In this respect we have further enhanced our presence in there by opening our interior and landscape branches in Shenzhen. We believe there are substantial opportunities in mainland China market for these two disciplines. In mid of 2019, having formed a joint venture, C-Bay Smart Cities Limited ("C-Bay"), with our major shareholder and strategic investor, Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("BMEDI"), to explore opportunities in the Greater Bay Area. C-Bay has completed a memorandum of understanding with China State Construction International Medical Industry Development Co. Ltd. to explore medical related opportunities within the region.

In August 2019, we opened our Singapore studio, being our 11th studio globally, to explore potential opportunities in the Association of South East Asian Nations ("ASEAN") where rapid urbanisation is in a growth phase. The geographical location of Singapore means the servicing of clients in the region is more convenient and culturally contextual than from Hong Kong. And our Dubai studio grew steadily throughout the year to meet expectations despite the continued downturn in the United Arab Emirates, bucking the trend by becoming recognised as one of the Top 10 practices in the region in its first full operational year in 2019 and opening up opportunities in seven Middle East and North Africa ("MENA") Region countries not least Saudi Arabia and Egypt.

Another subsidiary of the Group, isBIM Limited ("isBIM"), a building information modelling company acquired at the end of 2017, received a grand award from the Hong Kong Institute of Building Information Modelling ("HKIBIM") in the consultant firm category against stiff competition locally and from overseas based companies in Hong Kong. They have also successfully extended the business reach into BIM software development – the introduction of JARVIS platform – to capture a new source of revenue. The launch of JARVIS platform was a success as it was already adopted by numbers of local developers and projects. The JARVIS platform also has the support of Construction Innovation and Technology Fund in the Construction Industry Council. The multiple income streams will fast-track and enhance the revenue of isBIM in the years to come.

2019, in terms of industry recognition for our Group, was a particularly strong year. LWK garnered 73 international awards, some notable ones being The Global RLI Awards 2019, MIPIM Asia Awards 2019, International Property Awards – Asia Pacific Awards 2019 and Cityscape Awards for Emerging Markets 2019. We have again made headways in the World Architecture 100 list for 2019. LWK has maintained our position as the world's 36th largest architectural firm. In mainland China, we are delighted to announce that we are top rank on the list for architectural design in the 14th Kinpan Awards with an impressive total of 38 prizes spanning across different divisions and categories amid keen competition.

FUTURE PROSPECTS

In the years ahead, we are clear as to our direction and locations where we should concentrate our effort. Although we are always mindful that the present global economy is volatile, the Group is constantly seeking new opportunities to expand its revenue stream.

The Greater Bay Area is a huge area of opportunities. Its population of over 70 million with its personal gross domestic product ("GDP") per capita for this region presently at USD20,000, the upside potential is real and comprehensible when compared to other major centers in Japan and United States of America with their GDP per capita of USD40,000 and USD80,000 or more respectively.

The Group have also identified a number of areas in the PRC in terms of substantial service growth in the near and medium terms, namely education, medical services and senior citizens services. The Group have already positioned itself to take advantage and actively participate in these services.

In the coming years, the global community in the service industry due to the internet age is shrinking by the day. One area where there are substantial opportunities is in the cross disciplinary ventures. We believe the only way forward is to fast track joint ventures with like minded partners to provide not only services within our portfolio, but also to participate in upstream and downstream functions of other related disciplines. This concept of "Total Service" approach will be our major forward momentum for the Group.

ACKNOWLEDGEMENT

Once again, on behalf of the Board, I like to express our sincere gratitude to our Directors for their leadership and all colleagues for their effort, especially working through the turmoil of 2019. Your support and professionalism are very much appreciated.

The Board looks forward to working with all Directors, new venture partners in our effort to grow, and sustain our business in this difficult period with benefits to all.

Last and not the least, the Board wishes to thank our shareholders and our clients for their support and trust throughout the year. Our Group vision is always clear as to task in hand and to bring long lasting benefits to all our stakeholders.

Mr. Liang Ronald
Chairman

Hong Kong, 30 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Cifi Group Homeland Sales Centre, Foshan, China

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Refreshed Identity for LWK + PARTNERS

The Group completed a major rebrand for its major subsidiary, LWK, in early 2019. Now known as LWK + PARTNERS, the new brand reflects its current stature as a global creative platform with diverse expertise and worldwide experience after 34 years of evolution.

Collaboration between a global network of design specialists is key to this dynamic growth. Recent years have seen a vast broadening of our expertise as we provide innovative solutions for residential, commercial, mixed-use, healthcare, educational and institutional projects. We have been entrusted by major developers around the world for an extensive scope of services spanning from Architecture, Planning and Urban Design, Interiors and Landscape to Heritage Conservation, Brand Experience, Building Information Modelling ("BIM") and Lighting Design.

LWK
+PARTNERS

The refreshed identity communicates the firm's position as an industry leader, as it continues drawing on its wealth of experience and prescient insights to inspire future urban trends. It stays at the market forefront in helping different communities respond to fast-changing environments with sustainable, human-centric solutions. LWK believes there are infinite possibilities to creating a better future for all.

Global Expansion Continues

We continue to build an ever stronger network with international clients and partners, bridging the PRC with global markets and bringing world architecture to the PRC and Asia.

With strengthened technological and data processing capabilities, as well as exposure to smart city initiatives, we are standing on well-founded grounds to continue our expansion.

Our thriving the PRC portfolio shapes urban landscapes across the country with various project completions in key cities during the year. In the rapidly urbanising Southeast Asia, our Singapore studio opened during the year, taking the number of offices to 11 across the world and capturing new opportunities in a region whose economic and cultural influences are radiating to different parts of the world. In the MENA, we have successfully built strategic ties through our Dubai studio which commenced operations in 2018, combining the firm's Asian experience with local understanding to innovate in emerging markets.

Seizing potential opportunities in Greater Bay Area

Since the establishment of the Greater Bay Area ("GBA") Innovation Centre with BMEDI in November 2018, the Group, together with BMEDI, set up a joint venture, named C-Bay Smart Cities Limited ("C-Bay") in August 2019. It 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.

C-Bay has a focused mission to shape globally competitive modern city development in GBA. C-Bay establishes an integrated service platform for the development strategies of the vibrant world class cluster by consolidating the latest smart city technologies, ecological urban planning, national quality of infrastructure and global investment strategies. This attracts invariably forward-looking industry talents and scholars, to join hands with us to position the GBA as a key link connecting cities in the PRC as well as the Belt and Road countries.

Building Information Modelling ("BIM")

Since 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 has also been promoted vigorously and become more common in these few years. The BIM technology enables the Group to coordinate 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 added 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.

In 2019, one of the major subsidiaries, isBIM received a Grand Award from Hong Kong Institute of Building Information Modelling in the Consulting Firm Category and being recognised as one of the BEST BIM consultancy firms in Hong Kong. The launch of isBIM self-developed BIM data management platform "JARVIS" was a success as it was already adopted by numbers of local developers and projects. This "JARVIS" platform has also the support of Construction Innovation and Technology Fund in the Construction Industry Council. isBIM also expanded our professional BIM services to Singapore, and begin to promote our service into other Asian countries, such as Thailand, Korea and Malaysia, etc.

Stellar Achievements

Driving positive impact for the community is the single biggest motivation for each of our initiatives. The World Architecture 100 2020 report ranked LWK as the world's 36th largest architecture practice again, plus the world's fifth in the residential market. The commitment has also been recognised during the year with a total of 73 international awards in 2019 for design excellence and project quality.

LWK was winner of the MIPIM Asia Awards 2019, MIPIM Architectural Review Future Project Award 2019, The Global RLI Awards 2019, Cityscape Awards for Emerging Markets 2019, International Property Awards – Asia Pacific Property Awards 2019, PropertyGuru Asia Property Awards 2019 and LIT Lighting Design Awards 2019.

In the PRC, we were named the overall winner in the 14th Kinpan Awards 2019 with a stunning 38 titles, which is especially encouraging in our second year of participation of the Awards. We also continue to be among the Top 10 Architects in the BCI Asia Awards. We also won the 5th CREDAWARD 2019 and China Commercial Real Estate Industry Annual Awards 2019.

BUSINESS REVIEW

Comprehensive Architectural Services

The Group aimed to strengthen its market position as one of the leading comprehensive architectural service providers in Hong Kong and the PRC. New offices set up in Dubai and Singapore over the last two years enlarged our market into the MENA and South East Asia. With the expansion in recent years, we successfully achieved greater market penetration, the value of the revenue of our remaining contract sum continuously breaking the record high and so we are confident with the future revenue growth despite of the recent destabilising factors in the market.

During the year, our comprehensive architectural business contributed HK$632,080,000 in revenue, representing an increase of 0.6%. We secured 233 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK$757,923,000, as compared with HK$874,815,000 in 2018, representing a decrease of 13.4%. As at 31 December 2019, the Group had remaining contract sums of approximately HK$1,395,990,000, increased up by 4.3% as compared with HK$1,338,323,000 at 2018. As our main stream of practice, our traditional sector in architecture contributed approximately 85% of the revenue to our comprehensive architectural services.

BIM Services

isBIM services cover BIM consultancy services, digital transformation consultancy services, cloud based BIM platform development, cloud based project management platform development, sale of IT related products and BIM professional training services. The project nature of isBIM covers smart cities, infrastructure projects, transit projects and large-scale property development.

During the year, the revenue of isBIM amounted to HK$66,641,000 when compared to revenue of HK$54,157,000 in 2018, represented an increase of 23.1%. isBIM successfully secured 102 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK$83,928,000, representing an increase of 75.7% when compared to HK$47,780,000 of last year. Remaining contract sum as at 31 December 2019 was approximately HK$88,434,000, increased by 71.2% as compared with HK$51,643,000 at 2018.

We believe that together with the experience and connections of the Group in our traditional architecture services, isBIM will be able to connect our existing architecture services and create extended value to our customers. isBIM launched a self-developed BIM data management platform "JARIVS" in the first half of 2019. Clients include top-ten developers in the PRC and we expect to see incremental growth for "JARVIS" platform business, with the use of big data and artificial intelligence technology. This digital platform is able to handle data more effectively for clients throughout the whole life cycle of the project with smart management technology and smart city development, etc., offering a comparative advantage especially when combined with the professional BIM consultancy services.

FINANCIAL OVERVIEW

Revenue

Despite of the record high contract on hand of the Group, the impact arising from the continuation and escalation of the Sino-US Trade War throughout 2019 deal a severe blow to confidence in the market, while remain optimistic in the long run. In short term, developers are conservative on their capital investment, delays in the progress of projects during the year has thereby and chilled revenue growth of the Group. During the year, the revenue of the Group was HK$685,091,000, compared with that of HK$671,598,000 in 2018, representing an increase of 2.0%.

Cost of services

Cost of services for the year amounted to HK$538,413,000, when compared with that of HK$472,037,000 in 2018, representing an increase of 14.1%. Over 42% of such increment during the year is contributed by the increase in direct staff costs and project costs due to the increasing amount of contracts on hand.

Gross profit and gross profit margin

Gross profit for the period amounted to HK$146,678,000, decreased by 26.5% when compared with 2018. Gross profit margin of the Group decreased from 29.7% to 21.4%. The decrease in gross profit margin during the year was due to the expansion of the professional team leading to an increase in staff costs and overhead cost, while the growth in revenue was not in the same pace due to the aforementioned delay in the progress of projects.

Administrative expenses

Administrative expenses for the year amounted to HK$127,263,000, comparing with corresponding period of HK$130,811,000, representing a decrease of 2.7%. The decrease was mainly due to the decrease in performance bonus of the Board.

Loss for the year

Loss for the year of 2019 was HK$10,582,000 (2018: profit for the year of HK$51,182,000). When excluding the non-recurring accounting related impairment losses of HK$19,087,000 from the cessation of underperforming business unit, profit for the year was HK$8,505,000.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Current assets	**656,961**	530,979
Current liabilities	**308,838**	214,037
Current ratio	**2.13**	2.48

The current ratio of the Group at 31 December 2019 was 2.13 times as compared to that of 2.48 times at 31 December 2018. It was mainly resulted from the increase in lease liabilities according to the adoption of HKFRS 16 since 1 January 2019 and bank borrowings during the year.

As at 31 December 2019, the Group had total bank balances and cash of HK$268,193,000 (2018: HK$182,104,000). The unutilised banks' facility is HK$35,000,000 (2018: HK$21,000,000) as at 31 December 2019. The Group is having sufficient funding for future expansion and merger and acquisition plans.

As at 31 December 2019, the Group's gearing ratio is 24.7% (represented by unsecured bank borrowings divided by total equity) (as at 31 December 2018: 12.0%).

The borrowings of the Group 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

As an industry leader in the region, the Group offers diversified urban design services as well as BIM consultancy services to governments and prominent developers. It stands out from its peers in the market with full-spectrum capacities in design and integrated digital delivery.

According to the *Outline Development Plan for the Guangdong-Hong Kong-Macau Greater Bay Area* promulgated on 18 February 2019, the combined strength of GBA cities will be increased substantially and the internal driving forces for development will be further enhanced in the region. The framework for an international first-class bay area and world-class city cluster that is vibrant and highly innovative with an optimised industrial structure, a smooth flow of various factors and a pleasant ecological environment will essentially be formed by 2022.

In the coming year, the Group will maximise the benefits of our unique position to materialise the opportunities in the GBA. We provide total design solutions and digital roadmaps for large-scale developments starting all the way from early conception and master planning. Being involved in the early planning stages of these projects not only increases the revenue and the chances of obtaining subsequent contracts in various disciplines for the Group, it also opens up a window for investment opportunities when it comes to good and promising projects. Moreover, the Group will continue to explore the vertical expansion of our service chain, for achieving maximum benefits for the Shareholders.

While we maintain our strong position in the current design service market, we are working with goodwill in numerous opportunities in the GBA, all of which are large-scale complex developments and technology-led projects. It is reasonable to anticipate an acceleration of growth in the GBA and overall infrastructure investment when the pandemic is stabilised. The Group is well equipped to participate in the rapid development in the GBA in the coming future.

The outbreak of COVID-19 since December 2019 across mainland China has inevitably caused negative impacts on the economy. In the short run, various preventive measures imposed by the relevant governments and corporates have no doubt delayed the progress of the projects but will not significantly affect the financial position of the Group for the first quarter of 2020. The Group takes an active role to minimise the impact from COVID-19. In the medium run, it is expected that the PRC government will exercise monetary policies to boost the economy. Urban development and infrastructure are some of the most promising areas for investment. The Group is in a good position to benefit from the opportunities. The Group will proactively evaluate the situation and development of the COVID-19 and spot the right opportunities to generate the next growth trend.

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 2019, 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 (the "Circular") (adjusted with final relevant costs and expenses) HK$ million	**Actual use of proceeds up to 31 December 2019 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	**29.5**
To enhance the Company's information technology infrastructure and working capital	6.0	**6.0**
	145.8	**69.8**

Notes:

(a) The planned use of proceeds for the Subscription was based on the best estimation of the future market conditions made by the Group at the Subscription. The use of proceeds was applied in accordance with the actual development of market.

(b) Since the Subscription, the Group expanded the offices in the PRC, like Beijing Studio, GBA Studio and also the overseas markets, like Dubai Studio and Singapore Studio in order to capture potential opportunities in different locations, and to strengthen the international position of the Group. Hence, the actual use of proceeds on this category was higher than the planned use of proceeds.

(c) In order to support the expansion and improvement in working productivity of the Group, information technology infrastructure was enhanced and upgraded since the Subscription.

(d) The unutilised proceeds is expected to be used in accordance with the three categories as disclosed at the Circular and to be used by 2022 depending on the future development of the Group.

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 of 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 with the use of computers and other information technology solutions. The digital world however creates many risks for a business including technology failures, loss of confidential data and damage to brand reputation. We seek to assess and manage the effectiveness of our security infrastructure and our ability to effectively defend against current and future cyber risks by using appropriate tools and experienced professionals to evaluate and mitigate potential impacts. We are focused on the need to maximise the effectiveness and security of our information systems and technology and to reduce both cost and exposure as a result.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2019. The capital of the Group only comprises of ordinary shares.

FOREIGN EXCHANGE EXPOSURE

Most of the business transactions, assets and liabilities of the Group are principally denominated in Hong Kong dollars, United States dollars and Renminbi. As at 31 December 2019, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, during the year ended 31 December 2019, the Group did not have any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2019, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2019, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

DIVIDEND

The Directors did not recommend the payment of any dividend for the year ended 31 December 2019 (2018: interim dividend of HK3.0 cents per share and final dividend of HK2.0 cents per share).

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2019 (2018: Nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2019 (2018: Nil).

COMMITMENTS

As at 31 December 2019, the Group has capital commitment in respect of investment in a joint venture, C-Bay of HK$10,000,000 which has been contracted but not provided for in the consolidated financial statements.

As at 31 December 2018, the contractual commitments of the Group are primarily related to the leases of its office premises and staff quarters, amounted to approximately HK$95,174,000. With the adoption of HKFRS 16 since 1 January 2019, such commitment was recognised as lease liabilities as at 31 December 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed over 1,100 (2018: over 1,000) 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 (the "Shareholders") on 5 December 2013 (the "Share Option Scheme").

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Matro Polis, Hangzhou, China

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liang Ronald (梁鵬程), aged 70, 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 57, 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 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 53, 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 55, 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 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 56, 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 51, 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 24 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 60, 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 70, 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 50, 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 PRC. She is well-experienced in capital operation and financial consulting.

SENIOR MANAGEMENT

Mr. Lo Kin Nang (盧建能), aged 50, is the director of architecture. He is responsible for architectural projects and overseeing the operations in Hong Kong and Greater Bay Area Studio 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. He is a director of certain subsidiaries of the Group.

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 49, 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 24 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.

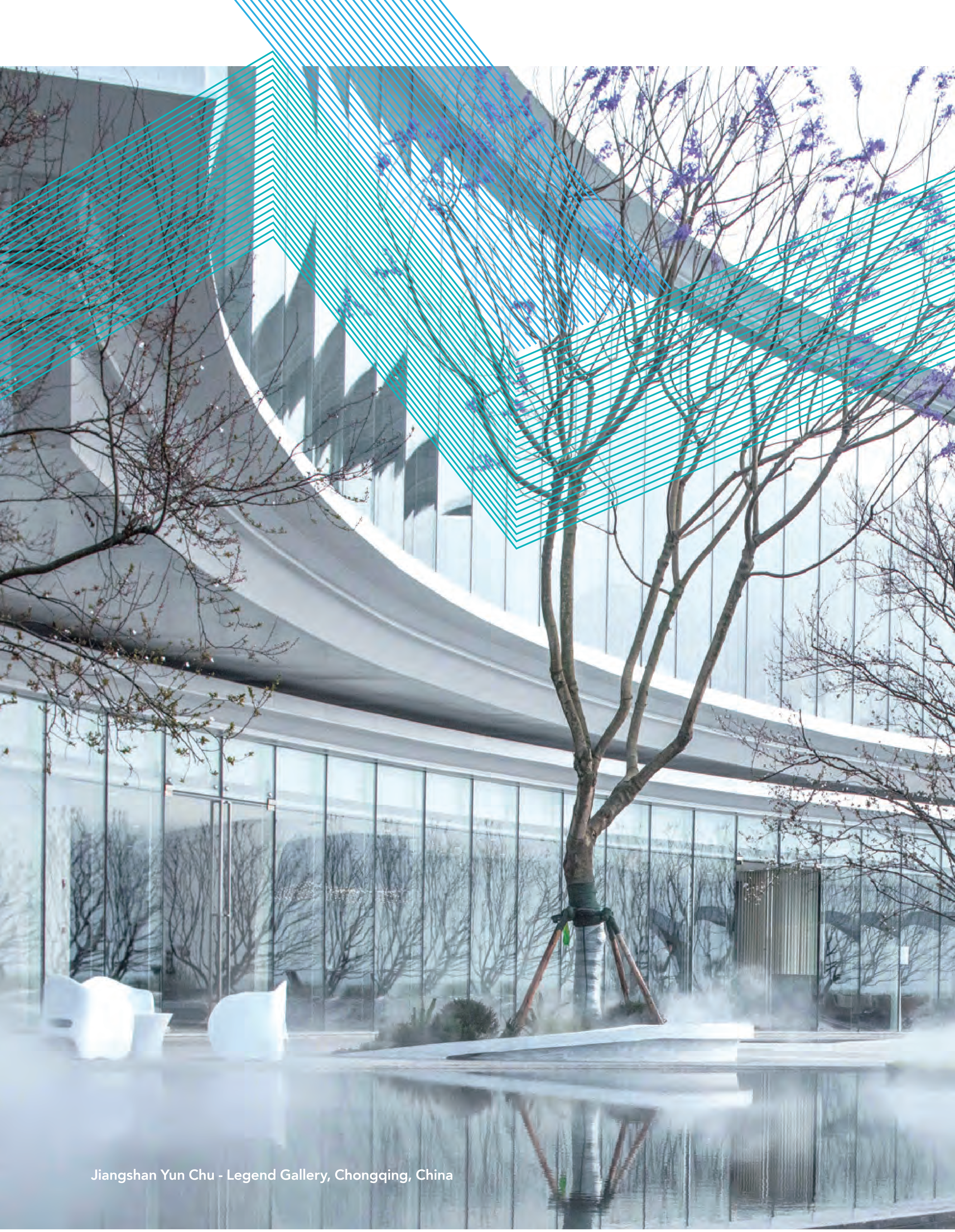
Mr. Chan Chui Man (陳聚文), aged 44, is the director of architecture. He is responsible for assisting the executive Directors in overseeing the operations in Hong Kong. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in architectural studies and a master's degree in architecture 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 42, 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 43, 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 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 55, 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 28 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 Jun You, an executive Director and a significant Shareholder.

Ms. Zhang Li Juan (張麗娟), aged 55, 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 22 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.



Jiangshan Yun Chu - Legend Gallery, Chongqing, China

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

We have great pleasure in presenting the Environment, Social and Governance ("ESG") Report (the "Report") of C Cheng Holdings Limited (the "Company") and its subsidiaries (the "Group") in the fiscal year of 2019. The Report highlights the ESG values and performance of the Group from 1 January 2019 to 31 December 2019 unless otherwise stated.

This ESG report follows the disclosure requirement as set out in the ESG Reporting Guide as described in Appendix 27 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") set out by the Stock Exchange.

OUR BUSINESS

The Group, being a leading integrated architectural service-related provider, embraces a vision in providing a state-of-the-art design solution to improve urban spaces while enhancing living quality of both individuals and general public. With the aim of growing the business with Group's vision, we aim to achieve sustainable development for the future by stringent adherence of ESG performance in its business operation.

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 cover Architecture, Planning and Urban Design, Interiors Design, Heritage Conservation, Landscape, Building Information Modelling ("BIM"), Brand Experience and Lighting Design, are working together seamlessly like the parts of a machinery, enabling the Group to provide comprehensive design solutions for all projects placed in our trust.

The Group is one of the global integrated architectural service-related provider rooted in Hong Kong since 1985. With a health growing development in last few decades, we have established 11 studios spread across Greater China, Southeast Asia and Middle East and North Africa ("MENA"). To recognise our robust development and contemporary design effort, we have awarded WA100 for the second consecutive year in 2018 and 2019 which was organised by an international professional institution namely World Architecture.

The Group has also been recognised by BCI Asia as one of the "Top 10 Architect in Hong Kong 2019" for its sustainability efforts and achievements in developing high quality and innovative projects.

OUR APPROACH

Stakeholders increasingly expect organisations to demonstrate how they are creating value for communities and the environment, but not for shareholders alone, and to act ethically in their interactions with governments, suppliers and consumers.

In order to identify the most significant aspects for the Group to report on this ESG report, the approach of materially assessment and stakeholder engagement are adopted. The purpose of this materiality assessment is to review and identify the applicability and materiality of the relevant key performance indexes ("KPIs") under the ESG Reporting Guide that are most important (material) to the Group and its stakeholders. Key stakeholders including investors, shareholders and employees are engaged. In addition, the Report complies with all "comply or explain" provisions in the Listing Rules and has included the explanation for provisions that are not applicable to the Group.

Moreover, the Group is actively involved in promoting stakeholder relationships. We received 3 recognition accolades including Best IRO, Best Investor Meeting and Best Annual Report in the "5th HKIRA IR Awards 2019" organised by The Hong Kong Investor Relations Association ("HKIRA"). The award reaffirms the Group's unwavering commitment to maintaining strong and transparent communications with investors. In December 2019, the Group received another accolade in InnoESG Forum to further recognise our contribution in investor relationship management. The InnoESG Forum was jointly organised by Wofoo Social Enterprises, UNESCO HK Glocal Peace Centre and other renowned organisations in ESG discipline.

The Group understands the importance and far-reaching influences of environment, society and governance to the Group's future development in light of the attention of global climate change and environment pollution have been escalating gradually. The Group is actively committed to corporate social responsibility by practicing good corporate governance and control of pollution emissions into its business process and management approach.

ESG aspects as set forth in ESG Guide		Material ESG issues for the Group
A	*Environmental Performance*	
	A1 Emissions	Carbon dioxide emissions 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 and 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

A. ENVIRONMENT PERFORMANCE

Environment Policy and Performance

Business operators face with raising environmental challenges nowadays, such as energy consumption and carbon emission. In order to demonstrate the Group's commitment towards sustainable development, the Group attaches close attention to improve its environmental performance and to conduct its business in environmentally sustainable manner. The approach includes to minimise or, ultimately, to prevent any environmental impacts from its operation, activities, products and services.

The Group has implemented the ISO14001 Environmental Protection System and has awarded the ISO 14001:2015 certification accredited by Hong Kong Quality Assurance Agency since 2018. The Group will continuously reinforce the work of environmental protection and reduce any possible impact of business operations on the environment 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.

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 35
A1.3	Hazardous waste	Not applicable while unsignificant
A1.4	Non-hazardous waste	Not applicable while unsignificant
A1.5	Emissions mitigation	Page 35
A1.6	Hazardous & non-hazardous wastes reduction	Not applicable while unsignificant
A2	Use of Resources	
A2.1	Energy consumption	Page 36
A2.2	Water consumption	Not applicable while unsignificant
A2.3	Energy use efficiency	Page 36
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 36

Emissions

The Group strives for sustainability through paying attention to the management of energy consumption and carbon emissions in the course of operations. We realise this strategy by complying and fully implementing the latest applicable legal and regulatory requirements wherever appropriate. Since the product of the Group is non-industrial business nature, we have unsignificant effect on the environment and natural resources. We do not produce any hazardous production nor produce any hazardous waste as well as no usage of packaging material for finished product during the operation. As a result, types of emissions and respective emissions data (KPI A1.1), total non-hazardous waste produced (KPI A1.4) and description of how hazardous and non-hazardous waste are handled, reduction initiatives and result achieved (KPI A1.6) are unsignificant to the Group's operation.

During the reporting period, the Group have zero infringement in relevant local environmental laws and regulations which related 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 464,993 kWh supplied by CLP Power Hong Kong Limited. The CO2 equivalent emission was 292,945.59 kg which covered total floor area of 47,288 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. The Group installs LED lamps in our offices and encourages staff to shut down the desktop IT facilitates after work.

Non-hazardous waste category	**Quantity**	**Unit**	**Intensity – Unit per employee**
CO_2 equivalent emissions	464,993	kWh	695.83

The Group has implemented ISO14001:2015 Environmental Management System in addition of ISO9001:2015 Quality Management System since 2018. The standard facilitates the Group to set up an effective environmental management system by identifying, managing, monitoring and controlling the environmental issues in a holistic manner. We implement this standard into our project as well as workplace. Furthermore, the Group set out some improvement plans for waste reduction in the workplace. We have implementing this system smoothly with effortless ease.

Business air travel is a significant source of GHG emission creation; the Group deploys a variety of technological tools and actively invites our business partners to conduct the meeting through videoconference in order to minimise that. We deploy the latest most popular videoconference tools such as Go-to-meeting and Zoom to replace the traditional meeting. This approach could not only reduce the emission but also minimise the project cost and improve the project efficiency.

Use of Resources

The major energy consumption of the Group is the electricity consumption in its workplace. The total electricity consumption was 464,993 kWh (2018: 443,253 kWh), with an energy intensity of 105.84 kWh/m^2 (2018: 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	Unit	Intensity – Unit per employee
Electricity consumption	464,993	kWh	1,104.49
Energy intensity	105.84	kWh/m^2	0.25

The water consumption in total and intensity (KPI A2.2) and water efficiency initiatives and result achieve (KPI A2.4) of the Group are unsignificant to the Group's operation since our operation does not involve any water consumption. The main usage of water was daily human water consumption inside the office. In addition, the Group promotes water conversation habits in using water consciously. The Group has no formal statistics about water consumption since water supply in the Group's office premises is provided by the building's management office.

Furthermore, no packaging material being used for finished products in our operation, thus packaging material used for finished products (KPI A2.5) is not applicable to the Group.

Environment and Natural Resources

The Group's operation does not involve any production-related pollution with respect to air, water and land, which are regulated under the related environmental laws and regulations. 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.

Traditional architectural related consultancy service provider inevitably consumes paper in its business activities for voluminous documents and drawings. To overcome this inherent industrial practice, the Group strives for digital innovation toward a green office. The Group invest a series of technological deployment including mobile devices, apps application and Microsoft Office 365 with self-developed data management platform namely Jarvis. Our professional team view and comment the document and drawings anytime and anywhere. With the deployment of the Office 365, we retrieve and share the information anywhere instantly through cloud technology. These technological deployments all could significantly reduce the usage of paper and improve our efficiency simultaneously. This is not only a big step to efficient digitised office with green endeavor but also creating new industrial practice and working style.

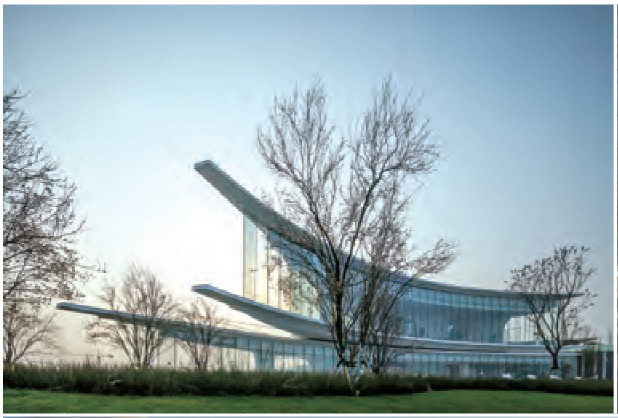
The Group adheres to the waste management principles and strives to properly manage and dispose all wastes produced by our business activities. Our waste management practice has been compiled with laws and regulations relating to environmental protection. Furthermore, our staff actively promotes community environmental awareness inside the office with great enthusiasm. They clean the collected aluminum can and plastic bottle well before putting these wastes to the recycle collection point of building's management office for recycling by self-initiative.

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

To ensure our project with green initiative, the Group maintains an in-house professional team with special expertise in sustainability. They all held professional qualification in green building and energy and environmental design such as LEED Pro, BEAM Pro and BEAM Plus in addition of architectural professionalism. The Group aim to explore the spatial interaction between nature and geographical traits in an urban context so as to improve the lifestyle and enhance the sustainability of the communities.

As an integrated architectural services provider, the Group's Landscape team performs their part meticulously to shape our landscape not only literally, but also metaphorically as an example for others in the industry to follow suit. We incorporate the design concept of "Green and Mobile" with the extended elements of the design involve energy, continuity, creativity and interaction for Kai Tak Former Runway and South Apron project.

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.



B. SOCIAL PERFORMANCE

KPI of ESG Reporting Guide		Corresponding Page
B.	*Social Performance*	
B1	Employment policies & standard	Page 39
B1.1	Total workforce	Page 39
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 42
B3.1	Percentage of employees trained	Page 42
B3.2	Average training hours	Page 42
B4	Labour Standards	
B4.1	Avoid child & forced labour	No child & forced labour employment
B4.2	Steps taken to eliminate child & forced labour	Page 43
B5	Supply Chain Management	
B5.1	Number by suppliers by geographical region	Page 43
B5.2	Suppliers engagement	Page 43
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 43
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 44
B8	Community Investment	
B8.1	Focus areas of contribution areas	Page 45
B8.2	Resources contributed on focus area	Page 45

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 and Urban Design, Interiors, Heritage Conservation, Landscape, Building Information Modelling (BIM), Brand Experience and Lighting Design. In view of these comprehensive service portfolio, the Group understands that successful talent management is a critical success factor. Building an agile, inclusive and sustainable workforce is our utmost priority.

To keep an agile workforce, the Group actively recruits the graduate from the global reputable institutions each year. We also offer internship placement opportunity for the student through regular employment for job tasting. In addition, the Group strives for succession planning simultaneously.

As of 31 December 2019, the Group has employed over 1,100 staff (2018: over 1,000) in its office in Hong Kong with 11 studios spread across Greater China, Southeast Asia and MENA.

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

	Regional Distribution
Hong Kong	37%
Greater China	58%
Southeast Asia	4%
MENA	1%
Total	100%

The Group strictly observes with national laws and regulations and implements a standard labour employment management system across the Group. Being a responsible employer, the Group implements the policy of equal opportunity in all aspects, from recruitment process to staff promotion. It aims to attract diversified talents globally regardless of their race, colour, age, gender, ethnicity and religion. Started mid of 2018 and mid of 2019, the Group has commenced to form new but experienced and energetic teams in our MENA and Singapore studios respectively which consists of multi-racial and cultural diversity workforce, we not only offer an employment with attractive compensation package but also apply an employment work pass for them.

Furthermore, the Group respects gender equality and has adopted same assessment standard for male and female employees, as well as taking the same way to determine the remunerations. Some females are holding a senior management position in the Group and responsible for Groups' strategic development. On 8 March 2019, the Group has arranged a different activity in each office to celebrate the International Woman Day. Female staff in Hong Kong Studio has received a fresh rose while our female staff in PRC studios has received either a greeting card and a gift or having a lunch buffet together.

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

Number of Employees (divided by position grade and age)

	Age					
Position Grade	**30 & Below**	**31-40**	**41-50**	**51-60**	**60 & above**	**Sub-total**
Senior Management	0%	1%	3%	1%	0%	5%
Middle Management	1%	10%	4%	0%	0%	15%
General Employees	50%	22%	5%	2%	1%	80%
Total	51%	33%	12%	3%	1%	100%

Number of Employees (divided by position grade and education)

	Education					
Position Grade	**Master or above**	**Bachelor**	**College**	**Technical Institute**	**Secondary School or below**	**Sub-total**
Senior Management	2%	3%	0%	0%	0%	5%
Middle Management	7%	8%	1%	0%	0%	16%
General Employees	9%	42%	24%	3%	1%	79%
Total	18%	53%	25%	3%	1%	100%

Number of Employees (divided by position grade and gender)

Position Grade	Male	Female	Sub-total
Senior Management	4%	1%	5%
Middle Management	11%	4%	15%
General Employees	53%	27%	80%
Total	68%	32%	100%

Health and Safety

The Group always adheres to the "People-oriented" concept to protect the rights, interests, health and safety of employees. To provide health and well-being to the employees, the Group has offered a comprehensive insurance coverage with retirement scheme. The Group was arranged three MPF service providers to our staff for their flexible investment. In this connection, the Group was awarded a Good MPF Employer in second consecutive year to recognise this effort. In addition, the Group views employee are our valuable asset. The Group is devoted to creating a good working environment for employees through commitment of providing employees a healthy, safe and comfortable working environment with elimination of 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.

In order to boost up staff well-being, the Group strives for work-life balance to our colleagues. We arrange a series of staff activities with team building consciousness including Dragon Boat, hiking and charitable running and swimming activities. In Tuen Ng Festival 2019, the Group participated the Dragon Boat competition in Shatin district. To prepare this competition, each participant joined a series of training programme. Throughout the training and competition, those participants received a strong message of "We are unified" and realise the power of cohesiveness. In last quarter of 2019, over 80 directors and colleagues of Shenzhen and Chongqing studios joined an 18-kilometers walk, themed "We are the Team", around the charming Honghua Lake in Huizhou of the PRC. We also noticed that participants supporting and encouraging each other along the way during this activity.


Development and Training

Employee is bold building block of the Group. We believe that nurturing talents and exploring their potential is a way forward to an inclusive and sustainable workforce. The Group has formed a taskforce namely LWK Academy to formulate a series of both professional training and on-the-job training to help them pursuing a professionalism and skill-set enhancement. Moreover, the Group offers paid leave and sponsor employee to participate external training activities to facilities their continuous professional development and lifelong learning. The management regularly reviews the effectiveness of the training management system to ensure the set objective could be achieved. In 2019, the Group's training hours were 1,659 hours in total, with participation of 1,146 employees from all levels.

Traditionally thinking views training and development is an in-house activity. The Group thinks outside of the box, being an industrial leader, we seize any opportunity to share our expertise with the border community. We stir up dialogue and debates that leads to industry development and improve the relationship between human wellbeing and their surroundings. During the reporting period, we engaged in lectures/panel discussions both locally and internationally, covering different topics that touch on sustainability, urban design and the future of design industry.

In September 2019, the Group actively participated the Cityscape Global conference in Dubai. Our Mr. Fu Chin Shing, chief executive officer and Director, shared his viewpoints on "Glocalisation" and the trends that influence architecture in Asia and across the globe. While there's much to learn from the world's latest trends and technologies, one must always look to the local community for overlooked preferences, lesser known practice and forgotten traditions.

Labour Standards

The Group strictly observes national laws and regulation. No businesses of the Group would use child or forced labour. Human Resources Department verifies all necessary data in relation to employment stringently and would observe established procedures to ensure that every employment 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. To facilitate a better communication, we set up an instant message communication channel with the staff. Staff could communicate with human resources personnel more conveniently.

Supply Chain Management

The Group always adheres international best practices and conducts fair and impartial tender processes in dealings with vendors. Neither corruption nor bribery is strictly prohibited. This regulated the procurement system and control costs in efficient and effective manner. The Group takes factors into account such as quality of products and services, past performance, financial standing and capacity assessment in selection of vendors and suppliers. The Group also expects suppliers to observe the same environmental, social, health and safety and governance considerations in their operation.

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 towards for sustainability. As at the date of this Report and within the reporting period, no case relating to safety and health issues of products or services was received and there was no significant complaint in service quality and service delivery.

Intellectual Property Rights

The Group owned and registered several unique trademarks and domain names as they are the most valuable to its brand and corporate identity. In early 2019, the major subsidiary of the Group, LWK, has launched our business branding in a new format. A related trademark has been submitted to the relevant authorities both in Hong Kong and PRC for trademark registration successfully 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 authorisation. This term is clearly stated in every employee's employment contract.

An exponential rise in the use of digitised data has heightened cyber security risk. To achieve proper data protection in digitised world, the Group strives for reinforcing cyber resilience and data protection.

Anti-corruption

The Group believes that integrity is one of the core values towards our continued success, an honest corporate culture come along with. The Group takes anti-corruption responsibilities very seriously. Anti-Bribery and Anti-Corruption Policy sets out standards of conduct to which all employees are required to adhere which clearly laid down in the Staff Handbook.

In addition, the Group has also established a whistle-blowing policy and procedures for reporting of illegal or excessively-risky activities to the board of directors of the Group. The whistle-blowers making such reports are assured of proper protection confidentiality have been provided.

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

COMMUNITY INVOLVEMENT

The Group continues our Corporate Social Responsibility ("CSR") services to range of beneficiaries in different studios. We keep focusing on academic and practical trainings for students and needy. Also, engaging our staff to participate in sports charity events to benefit people in need.

HONG KONG STUDIO

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 80 students to go through career path of an architectural professional by office visits and seminars.

To facilitate students to experience daily operation setting of an architectural design firm, and prepare them landing a career in the industry, the Group co-organised Youth Guidance Programs with Lai Chack Middle School, one of the partner school of Project WeCan. We also hosted two workplace seminars for students of The University of Hong Kong, Faculty of Architecture, Division of Landscape Architecture and Technological and Higher Education Institute of Hong Kong, Faculty of Design and Environment, on career and project information.


During the Project WeCan Career Exploration Day in January 2019, 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 2-week Project WeCan 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 on City Builder Project. The objectives of the project are to enhance students' skills of using technology, raise the awareness that students can make positive changes in the environment they live and enhance students' creativity, self-confidence and social responsibility. 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.

Architects and educators have a lot in common – vision is key to facilitating change and innovation. Future education focuses on experiential learning and offering an environment that promotes diversity towards a learner-oriented model. Mr. Liang Ronald, Chairman and executive Director of the Group, shared his lifelong passion for architecture and his thoughts for entrepreneurship at the Education Colloquium 2019 organised by the Hong Kong Association of the Heads of Secondary Schools. In an age of information explosion, the Group is keen to place user experience at the centre of designs and stays ahead of the curve across sectors to reify core urban values.

Invited by Project WeCan, Mr. Liang Ronald, Chairman and Mr. Fu Chin Shing, chief executive officer, became mentors of WeCan Scholar Mentorship Programme 2019. Through the mentorship programme, our management intend to give advice and inspiration to mentees, help improve their life skills and broaden their social and personal perspectives also enhance their exposure in workplace and build up networks.

Contribution to Community Welfares

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

For the Community Chest Corporate Challenge 2019, a running team of 52 participated, helping to benefit the rehabilitation and aftercare service provided by the member social welfare agencies of The Community Chest.

30 colleagues took part in the Standard Chartered Hong Kong Marathon to support charitable institution and initiative through the event's Marathon Charity Programme. We grow with our society, and it is vital for us to return to the community that has given us so much.

Lifewire Run 2019 is another running race which the Group participated in consecutive years. The objectives of this race are to raise fund for children with rare diseases, draw public's attention and support for the rare diseases patients and promote an inclusive society by providing a platform for people with disabilities to give full play to their talents.

The Group also continued to participate in Sowers Action Challenging 12 Hours 2019, 7 teams with 28 colleagues joined this meaningful race which helped raising fund for improving education and welfare for orphans and underprivileged children in Yunnan Province.

Apart from youth and community involvement, we devote to needy people, including deprived elderly, low income family and any people who are in need. By volunteering at Food Angel by Bo Charity Foundation, our colleagues helped preparing meal boxes at Food Angel Chai Wan Kitchen which were delivered to Food Angel's charity partners within Hong Kong.



We also continued our volunteer eldercare service together with Pok Oi Hospital, including playing dementia prevention board game with elderly and being helpers 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.

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 ninth consecutive years in praise of our enthusiasm for corporate social responsibility and social commitment by involving in the community services and supporting the needy.

SHENZHEN STUDIO

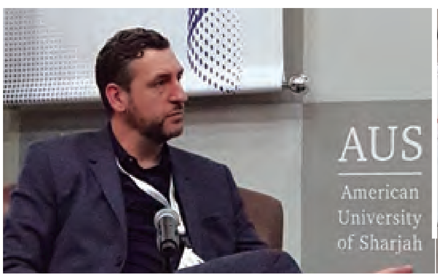
Fun Learning with the Hundun University

Invited by the Hundun University, an innovative learning platform which encourages participants to learn both online and offline, the Group organised a one-day Architectural Experience Workshop for the Hundun University participants. The Workshop gave an idea to the participants of daily operation setting of an architectural design firm and a taste of being an Architect.

DUBAI STUDIO

Collaboration with American University of Sharjah

The Group efforts were recognised by the American University of Sharjah in the United Arab Emirates as a trusted Community Builder during their Corporate Appreciation Dinner. We are proud to celebrate our first collaboration with one of the region's top institutions and leading design schools, as we pursued joint initiatives through our shared missions of commitment to design and architectural excellence, research, community development and education. We supported the University through guest lecturing, career fair, panel discussions and Architectural Reviews.



Chinese Opera Masks Workshop

To spread our culture and showcase our roots to the world, we are always on the look for possible collaboration opportunities to engage with the broader community especially young talents and future leaders. We conducted a fun workshop in Dubai for kids age 8 to13 designing their own Beijing Opera Mask and exploring the rich history of one of the PRC's national treasures.

CORPORATE GOVERNANCE REPORT

The Hebei Grand Hotel, Anyue, Shijiazhuang, China

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019, 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) MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules in terms no less exacting than the required standard set out in the Model Code as its code of conduct regarding securities transactions by Directors. 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 2019 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/her 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 2019, 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	5/5	1/1
Mr. Liu Gui Sheng	4/5	1/1
Mr. Fu Chin Shing	5/5	1/1
Mr. Wang Jun You	5/5	1/1
Mr. Liu Yong	4/5	1/1
Mr. Ma Kwai Lam Lambert	5/5	1/1
Independent Non-Executive Directors		
Mr. Yu Chi Hang	4/5	0/1
Mr. Lo Wai Hung	5/5	1/1
Ms. Su Ling	5/5	1/1

Board Diversity Policy

The Company has a board diversity policy (the "Board Diversity Policy") whereby it recognises and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge.

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 oversee the functioning of the Board and ensuring that the Board acts in the best interests of the Group and Board meetings are planned and conducted effectively. The chairman and co-chairman are primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda. With the support of the company secretary and other senior management, the chairman and co-chairman seek to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The chairman and co-chairman also actively encourages Directors to fully engage in the Board's affairs and make contribution to the Board's functions.

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/her independence and must provide an annual confirmation of his/her 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/her 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 years.

Continuing Professional Development

The Directors are aware of the requirement under 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 2019.

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 audited annual results of the Group for the year ended 31 December 2019.

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 2019. 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 2019 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 recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance in compliance with the Code.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

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

Two meetings were held by the Nomination Committee for the year ended 31 December 2019 and the record of attendance of each member of the Nomination Committee is set out as follows:

Name of member of the Nomination Committee	Meeting attended/ eligible to attend
Mr. Liang Ronald	2/2
Mr. Liu Yong	2/2
Mr. Yu Chi Hang	2/2
Mr. Lo Wai Hung	2/2
Ms. Su Ling	2/2

Investment Committee

The Company has established the Investment Committee on 11 May 2017 with terms of reference adopted on 29 August 2017. The majors duties of the Investment Committee include reviewing and assessing the Group's major investment plans and transactions (including but not limited to acquisitions and disposals, etc.); 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 2019 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 2019, she has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

(D) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

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

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

Risk Management and Internal Control

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

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective.

The Board has 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.

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 unauthorised 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 2019 and 2018 respectively are analysed as follows:

Services rendered	**Fees paid/payable**	
	2019	2018
	HK$'000	HK$'000
Audit services	**1,780**	1,355
Non-audit services	**414**	362
	2,194	1,717

(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 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.

(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 2019, there had been no significant change in the Company's constitutional documents.

DIRECTORS' REPORT

The City Centre, Kunming, China

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2019.

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 1 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 2019 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 83 to 163.

The Board has resolved not to recommend the payment of any dividend is respect of the year ended 31 December 2019 (2018: interim dividend of HK3 cents per share and final dividend of HK2 cents per share).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 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 23 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 34 to 37 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China, Hong Kong and MENA 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, Hong Kong and MENA. During the year ended 31 December 2019 and up to the date of this report, we have complied with all the relevant laws and regulations in the PRC, Hong Kong and MENA.

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Code during the year ended 31 December 2019 and up to the date of this annual report.

The details of the Group's compliance with the Code is set out in the Corporate Governance Report from pages 52 to 61 of this annual report.

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 38 to 49 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 2019 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 29 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 86 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$263,672,000 (2018: HK$298,995,000). 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 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 Articles, 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 Articles, Mr. Liu Gui Sheng, Mr. Liu Yong, and Ms. Su Ling 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 an appointment letter 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 month's 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 2019, 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 Securities and Futures Ordinance ("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%

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
Veteran Ventures Limited	The Company	Beneficial owner (Note 2)	7,200,000	Long	2.49%
Vivid Colour Limited	The Company	Beneficial owner (Note 3)	25,662,000	Long	8.90%
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)	87,670,000	Long	30.41%
Chung Wai Chi, Connie	The Company	Interest of spouse (Note 6)	43,486,000	Long	15.08%
		Beneficial owner	298,000	Long	0.10%
Li Min	The Company	Interest of spouse (Note 7)	21,190,000	Long	7.35%
	The Company	Beneficial owner (Note 8)	1,100,000	Long	0.38%

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 87,670,000 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 43,486,000 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 21,190,000 shares and share options held by Mr. Wang Jun You under the SFO.
8. It represents the interest in 200,000 shares and the interest in 900,000 underlying shares upon exercise of the share options granted under the Share Option Scheme.

Save as disclosed above, as at 31 December 2019, 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 2019, 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 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 pursuant to 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	12,000,000 (Note 1)	4.16%
Liu Gui Sheng	The Company	Beneficial interest	12,000,000 (Note 1)	4.16%
Fu Chin Shing	The Company	Interest in a controlled corporation	25,662,000	8.90%
	The Company	Beneficial interest	8,724,000	3.02%
	The Company	Interest of spouse	298,000	0.10%
	The Company	Beneficial interest	9,100,000 (Note 1)	3.15%
Wang Jun You	The Company	Interest in a controlled corporation	12,940,000	4.48%
	The Company	Beneficial interest	1,450,000	0.50%
	The Company	Beneficial interest	6,800,000 (Note 1)	2.35%
	The Company	Interest of spouse	200,000 (Note 2)	0.06%
	The Company	Interest of spouse	900,000 (Note 1)	0.31%
Liu Yong	The Company	Beneficial interest	3,000,000 (Note 1)	1.04%
Ma Kwai Lam Lambert	The Company	Beneficial interest	250,000	0.08%
	The Company	Beneficial interest	3,000,000 (Note 1)	1.04%

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.

(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 2019, 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 (the "Share Option Schemes") are set out in Note 30 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 a total of 22,400,000 share options being granted out of which 13,500,000 share options were conditional granted pursuant to the Share Option Scheme during the year ended 31 December 2019.

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	Conditionally 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
	1/11/2018	HK$2.334	3,500,000	–	–	–	–	3,500,000
	(Note 1) 28/11/2019	HK$1.55	–	–	5,000,000 (Note 2)	–	–	5,000,000
– Liu Gui Sheng	28/9/2017	HK$2.49	3,500,000	–	–	–	–	3,500,000
	1/11/2018	HK$2.334	3,500,000	–	–	–	–	3,500,000
	(Note 1) 28/11/2019	HK$1.55	–	–	5,000,000 (Note 2)	–	–	5,000,000
– Fu Chin Shing	28/9/2017	HK$2.49	2,800,000	–	–	–	–	2,800,000
	1/11/2018	HK$2.334	2,800,000	–	–	–	–	2,800,000
	(Note 1) 28/11/2019	HK$1.55	–	–	3,500,000 (Note 2)	–	–	3,500,000
– Wang Jun You	28/9/2017	HK$2.49	1,800,000	–	–	–	–	1,800,000
	1/11/2018	HK$2.334	2,200,000	–	–	–	–	2,200,000
	(Note 1) 28/11/2019	HK$1.55	–	2,800,000	–	–	–	2,800,000
– Liu Yong	28/9/2017	HK$2.49	1,000,000	–	–	–	–	1,000,000
	1/11/2018	HK$2.334	1,000,000	–	–	–	–	1,000,000
	(Note 1) 28/11/2019	HK$1.55	–	1,000,000	–	–	–	1,000,000
– Ma Kwai Lam Lambert	28/9/2017	HK$2.49	1,000,000	–	–	–	–	1,000,000
	1/11/2018	HK$2.334	1,000,000	–	–	–	–	1,000,000
	(Note 1) 28/11/2019	HK$1.55	–	1,000,000	–	–	–	1,000,000
Senior management and other employees	28/9/2017	HK$2.49	11,300,000	–	–	–	(740,000)	10,560,000
	1/11/2018	HK$2.334	4,100,000	–	–	–	–	4,100,000
	(Note 1) 28/11/2019	HK$1.55	–	4,100,000	–	–	–	4,100,000
Consultants	4/3/2017	HK$3.29	3,800,000	–	–	–	–	3,800,000
			46,800,000	8,900,000	13,500,000	–	(740,000)	68,460,000

Notes:

1. The closing price of the Company's shares immediately before 27 November 2019, the date of grant of the 2019 options to the Board and employees, was HK$1.55. The share options shall be exerciseable from 28 November 2022 to 27 November 2024 (both dates inclusive).
2. The shares options were conditionally granted on 28 November 2019 subject to the independent Shareholders' (as defined in the Listing Rules) approval at an extraordinary general meeting held on 5 February 2020 ("EGM"). The independent Shareholders approved the said grant of share options at the EGM.

There was no share options being exercised in 2019. As at report date, 68,430,000 shares are issuable for options granted under the Share Option Scheme, representing approximately 23.74% 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 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 2019.

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 2019, as required to be disclosed under Rule 8.10(2) of the Listing Rules.

MANAGEMENT CONTRACT

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

CHANGES IN INFORMATION OF DIRECTORS

There is no change in the information of the Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules in 2019.

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

Architecture and BIM services Framework Agreement

On 17 May 2019, the Company and BMEDI, being one of the substantial shareholders of the Company, entered into the framework agreement (the "Framework Agreement"), pursuant to which the parties thereto agreed that the Group shall provide design services and BIM services to BMEDI, with the scope of services including but not limited to architectural design, landscape design, town planning design and interior design and BIM consultancy services. The Framework Agreement shall be effective on 17 May 2019 and shall expire on 31 December 2020 unless terminated in accordance with the terms of the Framework Agreement. For the year ended 31 December 2019, the service fees receivable from BMEDI under the Framework Agreement amounted to approximately HK$3,810,000, while the annual cap for the continuing connected transactions for the year ended 31 December 2019 was RMB25,000,000 (equivalent to approximately HK$28,375,000).

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

Pursuant to Rule 14A.56 of the Listing Rules, the Board 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 34 of this annual report. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. 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.

Tenancy agreements

On 21 June 2019, an indirect wholly-owned subsidiary of the Company, LWK Architecture (Shenzhen) Limited ("LWK Architecture") as tenant, entered into the tenancy agreement with BMEDI, as landlord, in respect of the leasing of an office premise in the PRC (the "Tenancy Agreement") for the period from 1 July 2019 to 30 June 2022. Pursuant to the Tenancy Agreement, LWK Architecture will pay rental fee of RMB130,730 (equivalent to HK$148,300) to BMEDI for each month. On 18 December 2019, LWK Architecture entered into a supplemental tenancy agreement with BMEDI in which LWK Architecture reduced the leased area and the monthly rent is reduced to RMB105,611 per month (equivalent to HK$117,200) for the remaining terms of the Tenancy Agreement.

Establishment of a joint venture – C-Bay

On 13 August 2019, an indirectly-owned subsidiary of the Company, LWK Project Management Company Limited ("LWK Project Management"), entered into a joint venture agreement (the "JV Agreement") with BMEDI to establish a sino-foreign joint venture, C-Bay Smart Cities Limited ("C-Bay"). C-Bay focused on "smart cities" as its main line of business, of which the Guangdong-Hong Kong-Macau Greater Bay Area and the "Belt-and-Road" international cities development are the core markets. C-Bay provides services to the government and the property owners, namely regional comprehensive and strategic development planning, project feasibility planning, water resources and ecological environment management, urban renewal, digital smart-city platform establishment, as well as comprehensive investment, financing and construction consultation services. It will implement integrated solutions for the building of smart cities and contribute to building an international bay area and world-class city clusters. Pursuant to the JV Agreement, LWK Project Management and BMEDI shall contribute HK$10,000,000 (each contributing HK$5,000,000) to C-Bay on establishment and the remaining HK$20,000,000 (each contributing HK$10,000,000) shall be contributed within 30 years from the date of the business registration of C-Bay.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, 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 2019 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$2,529,000 (2018: HK$3,314,000).

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 are decided by the Board 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 the Share Option Schemes as an incentive to Directors and eligible employees, details of the schemes are set out in Note 30 to the consolidated financial statements.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2019, the aggregate revenue attributable to the Group's five largest clients represented approximately 25.6% of the Group's total revenue. The revenue attributable to the Group's largest client represented approximately 10.6% of the Group's total revenue for the same period.

For the year ended 31 December 2019, the aggregate sub-consultancy fee paid to the Group's five largest suppliers represented approximately 1.9% of the Group's total costs of services. The sub-consultancy fee to the Group's largest supplier represented approximately 0.5% 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

Except for the outbreak of COVID-19 as set out in the section headed "Management Discussion and Analysis" on page 18 of this annual report, there is no significant event occurred after the reporting period.

AUDITOR

Messrs. Deloitte Touche Tohmatsu ("Deloitte") resigned as auditor of the Company with effect from 17 January 2020 and Ernst & Young ("EY") has been appointed as the auditor of the Company to fill the casual vacancy following the resignation of Deloitte. A resolution will be submitted to the annual general meeting to re-appoint EY as auditor of the Company.

On behalf of the Board

Mr. Liang Ronald
CHAIRMAN

30 March 2020

Gallium Valley Science Park, Hangzhou, China

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of C Cheng Holdings Limited
(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 (the "Group") set out on pages 83 to 163, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from contracts with customers	
The Group had revenue from contracts with customers of HK$685,091,000 for the year. Among which, HK$674,408,000 was recognised over time using an input method, based on costs incurred representing the progress towards complete satisfaction of the comprehensive architectural services and BIM services, which involves significant management judgement and estimation, in particular the costs to completion. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Relevant disclosures of accounting judgements and estimates and information about revenue from contracts with customers are included in Notes 3, 4 and 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition from contracts with customers included: • Understanding management's processes relating to recognition of contract revenue and contract costs, and budget estimation; • 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 basis of estimation of the contract costs, and contract costs of the projects incurred for work performed to date; • Checking the estimated budget costs for selected projects taking into account the history accuracy of estimated budget costs and comparing ongoing actual costs with the budgeted costs; • Checking the allocation of staff costs to contracts, being the major component of contract costs, on a sample basis, by reference to the timesheet recording system and human resources records; • Performing comparisons between the percentage of completion and the percentage of progress billings on selected contracts for any significant differences; and • Checking the progress billings to invoices issued.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets	
As at 31 December 2019, the carrying amount of the Group's goodwill and intangible assets amounted to HK$14,743,000 and HK$9,539,000, respectively, which in aggregate represented approximately 3% of total assets of the Group. The determination as to whether goodwill and intangible assets are impaired involved management's judgement to estimate the value-in-use of the cash-generating units ("CGUs") to which the goodwill and intangible assets are allocated. The calculation of value-in-use requires management to estimate the expected future cash flows arising from the CGUs and appropriate discount rates to calculate the present value of projected cash flows. Relevant disclosures of accounting judgements and estimates and information about impairment assessment of goodwill and intangible assets are included in Notes 3, 15 and 16 to the consolidated financial statements.	Our procedures in relation to impairment assessment of goodwill and intangible assets included: • Involving our internal valuation specialists to assist us to evaluate the appropriateness of the methodologies and discount rate applied in determining the recoverable amount of the CGU to which goodwill and intangible assets have been allocated in the impairment test; • Evaluating the underlying data used by the Group in determining the recoverable amount of the CGU by comparing to historical financial information; • Checking the mathematical accuracy of the calculation of the recoverable amount of the CGU; and • Reperforming the sensitivity analysis about the recoverable amount with the assistance from our internal valuation specialists.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets	
As at 31 December 2019, the carrying amounts of the Group's trade receivables and contract assets were HK$218,893,000 and HK$160,065,000, which represented approximately 27% and 20% of total assets of the Group, respectively. As at 31 December 2019, the loss allowances of trade receivables and contract assets amounted to HK$5,918,000 and HK$405,000, respectively. Management's assessment of the expected credit loss(es) ("ECL(s)") involves significant judgement and estimates for the amount of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors with similar loss patterns, similar credit rating, ageing and past due status. Estimated loss rates are based on historical observed default rates over the expected life of debtors and adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. Relevant disclosures of accounting judgements and estimates and impairment of trade receivables and contract assets are included in Notes 3, 21, 22 and 37 to the consolidated financial statements.	Our procedures in relation to impairment assessment of trade receivables and contract assets included: • Understanding the management process in estimation of ECLs and the methodology for ECLs model adopted by the Group; • Checking the mathematical accuracy of information used by management on developing the provision matrix on a sample basis and assessing management's assumptions and inputs in the ECL model by considering the historical customer payment behaviours, and basis of estimated loss rates applied in each category in the provision with reference to the historical default rate and forward-looking information; • Involving our internal specialists in evaluating the ECL model and estimated loss rates; • Assessing management's basis and judgement in identifying the credit impaired trade receivables; and • Assessing the adequacy of disclosures of impairment assessment of trade receivables and contract assets.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than 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 THE DIRECTORS 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made 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.

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

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.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Wong Ka Wing.

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	4	**685,091**	671,598
Cost of services		**(538,413)**	(472,037)
Gross profit		**146,678**	199,561
Other income and losses, net	5	**4,778**	2,174
Gain on disposal of a debt investment at fair value through other comprehensive income		**308**	–
Gain/(loss) on fair value changes of financial assets at fair value through profit or loss		**1,929**	(2,846)
Impairment losses on financial and contract assets, net	8	**(1,555)**	(968)
Impairment losses on goodwill and intangible assets	7	**(19,087)**	–
Administrative expenses		**(127,263)**	(130,811)
Share of result of a joint venture		**(31)**	–
Finance costs	6	**(7,427)**	(1,825)
(Loss)/profit before tax	8	**(1,670)**	65,285
Income tax expense	10	**(8,912)**	(14,103)
(Loss)/profit for the year		**(10,582)**	51,182
Other comprehensive loss			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(2,685)**	(6,939)
Debt instrument at fair value through other comprehensive income:			
Change in fair value		**–**	(1,974)
Reclassification adjustments for gains included in profit or loss – Gain on disposal		**2,520**	–
Other comprehensive loss for the year		**(165)**	(8,913)
Total comprehensive (loss)/income for the year		**(10,747)**	42,269
(Loss)/profit for the year attributable to:			
Owners of the Company		**(11,717)**	46,982
Non-controlling interests		**1,135**	4,200
		(10,582)	51,182
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(11,763)**	38,137
Non-controlling interests		**1,016**	4,132
		(10,747)	42,269
(Loss)/earnings per share attributable to owners of the Company			
Basic (HK cents)	11	**(4.06)**	16.3
Diluted (HK cents)	11	**(4.06)**	16.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	13	**99,157**	23,129
Goodwill	15	**14,743**	31,450
Intangible assets	16	**9,539**	8,563
Investment in a joint venture	17	**4,969**	–
Financial assets at fair value through profit or loss	18	**–**	41,478
Debt instrument at fair value through other comprehensive income	19	**–**	20,456
Rental and utility deposits	20	**11,169**	10,983
Deferred tax assets	28	**2,864**	998
Total non-current assets		**142,441**	137,057
Current assets			
Trade receivables	21	**218,893**	215,185
Contract assets	22	**160,065**	121,123
Prepayments, other receivables and other assets	20	**9,810**	12,567
Cash and bank balances	23	**268,193**	182,104
Total current assets		**656,961**	530,979
Current liabilities			
Trade payables	24	**5,446**	4,551
Other payables and accruals	25	**67,197**	79,633
Contract liabilities	26	**90,398**	71,652
Interest-bearing bank borrowing	27	**110,317**	54,211
Lease liabilities	14	**27,655**	–
Due to a joint venture	17	**5,000**	–
Tax payable		**2,825**	3,990
Total current liabilities		**308,838**	214,037
Net current assets		**348,123**	316,942
Total assets less current liabilities		**490,564**	453,999

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Lease liabilities	14	**41,633**	–
Deferred tax liabilities	28	**1,741**	3,262
Total non-current liabilities		**43,374**	3,262
Net assets		**447,190**	450,737
Equity			
Issued capital	29	**2,883**	2,883
Reserves		**410,758**	418,984
Equity attributable to owners of the Company		**413,641**	421,867
Non-controlling interests		**33,549**	28,870
Total equity		**447,190**	450,737

Mr. Liang Ronald
DIRECTOR

Mr. Fu Chin Shing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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	Fair value reserve of financial assets at fair value through other comprehensive income HK$'000	Other reserve HK$'000 (Note b)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	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
Other comprehensive loss for the year:											
Change in fair value of a debt investment at fair value through other comprehensive income, net tax	–	–	–	–	(1,974)	–	–	–	(1,974)	–	(1,974)
Exchange differences related to foreign operations	–	–	–	–	–	–	(6,871)	–	(6,871)	(68)	(6,939)
Total comprehensive income for the year	–	–	–	–	(1,974)	–	(6,871)	46,982	38,137	4,132	42,269
Transfer to statutory reserve	–	–	502	–	–	–	–	(502)	–	–	–
Capital injection shared by non-controlling interests	–	–	–	–	–	–	–	–	–	6,997	6,997
Waiver of an amount due to non-controlling interests	–	–	–	–	–	–	–	–	–	560	560
Equity-settled share-option arrangements	–	–	–	8,335	–	–	–	–	8,335	471	8,806
Transfer of share option reserve to retained profits	–	–	–	(515)	–	–	–	515	–	–	–
Dividend declared (Note 12)	–	–	–	–	–	–	–	(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
Effect of adoption of HKFRS 16 (Note 2.2(a))	–	–	–	–	–	–	–	(119)	(119)	–	(119)
At 1 January 2019 (restated)	2,883	283,501	6,267	11,133	(2,520)	(46,389)	(6,685)	173,558	421,748	28,870	450,618
Loss for the year	–	–	–	–	–	–	–	(11,717)	(11,717)	1,135	(10,582)
Other comprehensive loss for the year:											
Reclassification adjustment for gains included in profit or loss	–	–	–	–	2,520	–	–	–	2,520	–	2,520
Exchange differences related to foreign operations	–	–	–	–	–	–	(2,566)	–	(2,566)	(119)	(2,685)
Total comprehensive loss for the year	–	–	–	–	2,520	–	(2,566)	(11,717)	(11,763)	1,016	(10,747)
Transfer to statutory reserve	–	–	4,326	–	–	–	–	(4,326)	–	–	–
Acquisition of non-controlling interests (Note c)	–	–	–	–	–	(970)	–	–	(970)	970	–
Capital injection shared by non-controlling interests	–	–	–	–	–	–	–	–	–	1,645	1,645
Equity-settled share-option arrangements	–	–	–	10,391	–	–	–	–	10,391	1,048	11,439
Transfer of share option reserve to retained profits	–	–	–	(263)	–	–	–	263	–	–	–
Dividend declared (Note 12)	–	–	–	–	–	–	–	(5,765)	(5,765)	–	(5,765)
At 31 December 2019	2,883	283,501*	10,593*	21,261*	–*	(47,359)*	(9,251)*	152,013*	413,641	33,549	447,190

* These reserve accounts comprise the consolidated reserves of HK$410,758,000 (2018: HK$418,984,000) in the consolidated statement of financial position.

Notes:

(a) The PRC statutory reserve is non-distributable and the transfer to this reserve is determined by the board of 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. According to the relevant rules and regulations in PRC applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.

(b) The balance mainly represents debit reserve of HK$53,519,000 resulting from the share swap pursuant to the group reorganisation upon initial public offering in 2013 and credit reserve of HK$5,120,000 resulting from recognition of equity-settled share-based payments to Mr. Wang Jun You ("Mr. Wang") , director of the Company, in 2013.

(c) For the year ended 31 December 2019, the Group further acquired 25% and 20% equity interests in two non-wholly-owned subsidiaries with a consideration of HK$1 and HK$1, respectively. The difference between the considerations and the carrying amounts of the non-controlling interests of the subsidiaries of the Group of approximately HK$970,000 in aggregate was recognised in other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before tax		**(1,670)**	65,285
Adjustments for:			
Finance costs	6	**7,427**	1,825
Share of loss of a joint venture		**31**	–
Interest income	5	**(3,837)**	(5,104)
Gain on disposal of a debt investment at fair value through other comprehensive income		**(308)**	–
Loss on disposal/written off of item of property, plant and equipment	5	**9**	28
Fair value (gains)/losses of financial assets at fair value through profit or loss		**(1,929)**	2,846
Fair value adjustment of contingent consideration		**–**	197
Depreciation	8	**53,843**	8,126
Amortisation of intangible assets		**646**	865
Impairment recognised/(reversal of impairment) on financial and contract assets, net			
– trade receivables	8	**1,425**	1,636
– contract assets	8	**130**	(668)
Impairment losses on goodwill and intangible assets	7	**19,087**	–
Equity-settled share-based payments	8	**11,439**	8,806
Operating cash flows before movements in working capital		**86,293**	83,842
Increase in rental and utility deposits		**(1,159)**	(2,981)
Increase in trade receivables		**(5,894)**	(104,341)
Increase in contract assets		**(40,809)**	(1,441)
Decrease/(increase) in prepayments, other receivables and other assets		**4,284**	(4,773)
Increase/(decrease) in trade payables		**917**	(108)
Decrease in other payables and accruals		**(12,217)**	(4,595)
Increase in contract liabilities		**19,795**	11,069
Cash generated from/(used in) operations		**51,210**	(23,328)
Interest paid		**(7,427)**	(1,825)
Income taxes paid		**(13,582)**	(11,202)
Net cash flow from/(used in) operating activities		**30,201**	(36,355)
INVESTING ACTIVITIES			
Interest received		**3,837**	5,104
Purchases of items of property, plant and equipment		**(17,826)**	(10,915)
Additions of intangible assets		**(4,023)**	(3,683)
Proceeds from disposal of financial assets at fair value through profit or loss		**43,454**	–
Proceeds from disposal of a debt investment at fair value through other comprehensive income		**23,323**	–
Decrease/(increase) in time deposits		**1,118**	(2,346)
Net cash flows from/(used in) investing activities		**49,883**	(11,840)

	Notes	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES			
New bank loans	32(b)	**102,000**	50,000
Repayment of bank loans	32(b)	**(45,894)**	(31,139)
Dividends paid	32(b)	**(5,765)**	(20,178)
Principal portion of lease payments	32(c)	**(41,268)**	–
Net cash from/(used in) financing activities		**9,073**	(1,317)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**89,157**	(49,512)
Cash and cash equivalents at beginning of the year		**179,758**	233,807
Effect of foreign exchange rate changes, net		**(1,950)**	(4,537)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**266,965**	179,758
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**268,193**	182,104
Less: Time deposits with original maturity of over three months when acquired	23	**(1,228)**	(2,346)
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**266,965**	179,758

1. CORPORATE AND GROUP INFORMATION

C Cheng Holdings Limited (the "Company") is an exempted company incorporated in the Cayman Islands with limited liability on 13 May 2013 and its shares 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.

During the year, the Company and its subsidiaries were involved in the following principal activities:

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

In July 2019, isBIM Limited, a non-wholly owned subsidiary of the Company entered into an agreement with an independent third party to establish Jarvis Technology SDN. BHD ("Jarvis Malaysia"), a company incorporated in Malaysia with limited liability. Since the Group has a 45% equity interest in Jarvis Malaysia and has significant influence over the board of directors of this investee, it is classified as an investment in an associate and is accounted for using the equity method in the consolidated financial statements. As at 31 December 2019, the Group has paid the investment costs of US$1 and Jarvis Malaysia has not yet commenced business.

In August 2019, the Group established a joint venture, C-Bay Smart Cities Limited（大雲灣智滙城市發展（深圳）有限公司）("C-Bay") (note 17).

During the year ended 31 December 2019, the Group ceased the operations of Cfu Come Limited, a company incorporated in Hong Kong with limited liability, which principally engaged in provision of repair services and fitting out works and operation of related mobile application.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ establishment	Issued ordinary/ registered share capital	Percentage of equity indirectly attributable to the Company	Principal activities
LWK & Partners (HK) Limited ("LWK HK")	Hong Kong ("HK") 9 October 1995	HK$1,000,000	100%	Provision of comprehensive architectural services and investment holding
梁黃顧建築設計（深圳）有限公司 ("LWK Architecture")#	PRC 24 August 1986	Renminbi ("RMB") 10,000,000	100%	Provision of comprehensive architectural services
ISBIM Limited ("isBIM")	Hong Kong 12 February 2010	HK$20,590,200	49%*	BIM software developing, BIM consultancy services and BIM professional training services

Wholly foreign-owned enterprise

* 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 that the Group has control over isBIM and therefore isBIM is a 49% non-wholly-owned subsidiary of the Group.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and a debt investment at fair value through other comprehensive income which had been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are 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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, *and Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) HKFRS 16 *Leases* (Continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and separately disclosed in the consolidated statement of financial position. The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets within property, plant and equipment in the consolidated statement of financial position.

The Group has used the following elective practical expedient when applying HKFRS 16 at 1 January 2019:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) HKFRS 16 *Leases* (Continued)

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	HK$'000
Assets	
Increase in property, plant and equipment	88,910
Decrease in rental deposit	(779)
Increase in total assets	88,131
Liabilities	
Increase in lease liabilities	88,131
Increase in deferred tax liabilities	119
Increase in total liabilities	88,250

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	95,174
Weighted average incremental borrowing rate as at 1 January 2019	4.38%
Discounted operating lease commitments as at 1 January 2019	88,131
Analysed as	
Current	35,630
Non-current	52,501
Increase in total liabilities	88,131

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

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

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

3 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate and joint venture is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investments in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its debt investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets, deferred tax assets, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Club membership

Club membership with an indefinite useful life is stated at cost less accumulated impairment losses.

License

License is stated at cost less any impairment losses and is amortised on the straight-line basis over its remaining license period of 5 years which expired in September 2018.

Customer relationship

Customer relationship is stated at cost less any impairment losses and is amortised on the straight-line basis over its useful life of 8 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

BIM platform, BIM platform under development, mobile application and mobile application under development are internally generated and stated at cost less any impairment losses and are amortised using the straight-line basis over 7 years, commencing from the date when the products are put into commercial production.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the office properties and staff quarters ranging from 2 to 5 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are separately disclosed in the consolidated statement of financial position.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement of financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Contracts of comprehensive architectural services and BIM services

Revenue from the provision of comprehensive architectural services and BIM services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the comprehensive architectural services and BIM services.

Sale of IT products

Revenue from the sale of IT products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the IT products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, a joint venture and an associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of oversea subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of oversea subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Determination of the control over isBIM

In November 2017, the Group subscribed for 49% of the 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 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.

Estimation uncertainty

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

Revenue recognition

The Group recognises contract revenue over time using an input method based on the progress towards satisfaction of the comprehensive architectural services and BIM services, measured based on proportion of contract cost incurred for work performed to date relative to the estimated total contract cost. Accordingly, revenue recognition involves a significant degree of judgement, with estimates being made to assess the total contract costs and on progress towards complete satisfactions of the contract and to provide appropriately for onerous contracts.

The management estimates the financial impact of changes of service scope, claims and disputes 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 the project team with reference to their past experience with similar contracts and latest human resources records and the management's best estimates and judgements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Revenue recognition (Continued)

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 contracts of comprehensive architectural services and BIM 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.

During the year, the contract revenue of HK$674,408,000 (2018: HK$662,524,000) was recognised over time. Further details are given in Note 5 to the financial statements.

Impairment assessment of goodwill and intangible assets

The Group determines whether goodwill and intangible assets are impaired at least on an annual basis for goodwill and whenever, any impairment indicators for goodwill and intangible assets exists. This requires an estimation of the value in use of the cash-generating units to which the goodwill and intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amounts of goodwill and intangible assets at 31 December 2019 were HK$14,743,000 (2018: HK$31,450,000) and HK$9,539,000 (2018: HK$8,563,000), respectively. Further details are given in Notes 15 and 16 to the financial statements.

Impairment assessment of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for 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.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. In addition, trade receivables that are credit impaired are assessed for ECLs individually.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The carrying amounts of trade receivables and contract assets at 31 December 2019 were HK$218,893,000 (2018: HK$215,185,000) and HK$160,065,000 (2018: HK$121,123,000), respectively. Further details are given in Notes 21 and 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiaries stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services rendered and the Group has two reportable operating segments as follows:

(a) the comprehensive architectural services segment engages in the provision of architectural, landscape architectural, town planning, interior design and heritage conservation services;

(b) the BIM services segment engages in the provision of BIM consultancy services, BIM professional training services and BIM software developing.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that certain other income, share of loss of a joint venture, gain/loss on fair value changes of financial assets at fair value through profit or loss, gain on disposal of a debt instrument at fair value through other comprehensive income, impairment losses on goodwill and intangible assets as well as corporate expenses of head office are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2019

	Comprehensive architectural services HK$'000	BIM services HK$'000	Total HK$'000
Segment revenue (Note 5)			
Timing of revenue recognition			
Sale of IT products at a point in time	–	10,683	10,683
Services transferred over time	632,080	42,328	674,408
Revneue from contracts with customers	632,080	53,011	685,091
Type of goods or services			
Architecture services	537,105	–	537,105
Landscape architecture, town planning, interior design and heritage conservation services	94,975	–	94,975
BIM services	–	42,328	42,328
Sale of IT products	–	10,683	10,683
Revenue from contracts with customers	632,080	53,011	685,091
Intersegment revenue	–	13,630	13,630
Segment revenue	632,080	66,641	698,721
Reconciliation:			
Elimination of intersegment revenue			(13,630)
External revenue			685,091
Segment results	17,458	1,707	19,165
Reconciliation			
Unallocated other income			3,820
Share of loss of a joint venture			(31)
Gain on fair value changes of financial assets at fair value through profit or loss			1,929
Gain on disposal of a debt investment at fair value through other comprehensive income			308
Impairment losses on goodwill and intangible assets			(19,087)
Other unallocated corporate expenses			(7,774)
Loss before tax			(1,670)

4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2018

	Comprehensive architectural services HK$'000	BIM services HK$'000	Total HK$'000
Segment revenue			
Timing of revenue recognition			
Sale of IT products at a point in time	–	9,074	9,074
Services transferred over time	628,543	33,981	662,524
Revenue from contracts with customers	628,543	43,055	671,598
Type of goods or services			
Architecture services	545,938	–	545,938
Landscape architecture, town planning, interior design and heritage conservation services	82,605	–	82,605
BIM services	–	33,981	33,981
Sale of IT products	–	9,074	9,074
Revenue from contracts with customers	628,543	43,055	671,598
Intersegment revenue	–	11,102	11,102
Segment revenue	628,543	54,157	682,700
Reconciliation:			
Elimination of intersegment revenue			(11,102)
External revenue			671,598
Segment results	60,224	13,492	73,716
Reconciliation			
Unallocated other income			4,717
Loss on fair value changes of financial assets at fair value through profit or loss			(2,846)
Other unallocated corporate expenses			(10,302)
Profit before tax			65,285

4. OPERATING SEGMENT INFORMATION (Continued)

Other segment information:

	Comprehensive architectural services HK$'000	BIM services HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2019				
Share of loss of a joint venture	**–**	**–**	**31**	**31**
Impairment losses on financial and contract assets, net	**812**	**743**	**–**	**1,555**
Depreciation and amortisation	**50,393**	**4,096**	**–**	**54,489**
Loss on disposal/written off of property, plant and equipment	**9**	**–**	**–**	**9**
Finance costs	**6,500**	**126**	**801**	**7,427**
Recognition of equity-settled share-based payments	**7,721**	**1,048**	**2,670**	**11,439**
Capital expenditure*	**16,808**	**5,041**	**–**	**21,849**
Year ended 31 December 2018				
Impairment losses on financial and contract assets, net	757	211	–	968
Depreciation and amortisation	8,163	828	–	8,991
Loss on disposal/written off of property, plant and equipment	28	–	–	28
Finance costs	1,389	–	436	1,825
Recognition of equity-settled share-based payments	5,139	471	3,196	8,806
Capital expenditure*	8,903	5,695	–	14,598

* Capital expenditure consists of additions to property, plant and equipment (excluding right-of-use-assets) and intangible assets.

4. OPERATING 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 investment at fair value through other comprehensive incomes, financial assets at fair value through profit or loss and investment in a joint venture.

	Revenue from external customers		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**201,026**	166,750	**54,760**	56,907
The PRC	**454,545**	480,550	**72,972**	15,918
Macau	**6,981**	19,662	**–**	–
Others	**22,539**	4,636	**6,876**	1,300
	685,091	671,598	**134,608**	74,125

Information about major customers

Revenue from sales to a customer accounted for 10% or more of the total revenue of the Group is as follows:

	2019	2018
	HK$'000	HK$'000
Customer A [1]	**72,914**	72,785

(1) Revenue derived from sales by the comprehensive architectural services segment and the BIM service segment

5. REVENUE, OTHER INCOME AND LOSSES, NET

Revenue represents the contract revenue from the provision of comprehensive architectural services and BIM services recognised during the year.

5. REVENUE, OTHER INCOME AND LOSSES, NET (Continued)

Performance obligations for contracts with customers

Sale of IT products

The performance obligation is satisfied upon delivery of the IT products and payment is generally due within 30 to 90 days from delivery.

Comprehensive architectural services and BIM services

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 was recognised by applying the input method, by reference to the progress towards complete satisfaction of the performance obligation at the reporting date.

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 ranging from 5% to 10% of total contract sum. Contract liability is recognised when the Group receives a deposit before any services are rendered, 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 when the services are rendered and represented the Group's right to consideration for the services rendered, of which the rights are conditional on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables when the Group achieves the specific milestones in corresponding contracts. The credit period granted to individual customers is within 90 days in general and up to 180 days upon the issue of the invoice, which are considered on a case-by-case basis.

Retention receivables, prior to expiration of the defect liability period, which range from 6 months to 1 year from the date of the practical completion of the services are classified as contract assets. The relevant amount of the 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.

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

	2019			2018		
	Comprehensive architectural services HK$'000	**BIM services HK$'000**	**Total HK$'000**	Comprehensive architectural services HK$'000	BIM services HK$'000	Total HK$'000
Within one year	**574,284**	**42,376**	**616,660**	596,897	23,450	620,347
More than one year but not more than two years	**273,987**	**27,036**	**301,023**	312,030	14,402	326,432
More than two years	**494,993**	**19,022**	**514,015**	378,802	13,791	392,593
	1,343,264	**88,434**	**1,431,698**	1,287,729	51,643	1,339,372

5. REVENUE, OTHER INCOME AND LOSSES, NET (Continued)

	2019 HK$'000	2018 HK$'000
An analysis of the other income and losses, net is as follow:		
Other Income		
Bank interest income	**1,477**	1,538
Other interest income on a debt investment at fair value through other comprehensive income	**608**	1,042
Other interest income on financial assets at fair value through profit or loss	**1,752**	2,524
Refund of PRC Value Added Tax	**937**	–
Others	**621**	144
	5,395	5,248
Losses, net		
Loss on disposal/written off of items of property, plant and equipment	**(9)**	(28)
Loss on fair value changes on contingent consideration payable	**–**	(197)
Foreign exchange differences, net	**(602)**	(2,698)
Others	**(6)**	(151)
	(617)	(3,074)
	4,778	2,174

6. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expense on:		
– Bank borrowings	**3,741**	1,825
– Lease liabilities (Note 14)	**3,686**	–
	7,427	1,825

7. IMPAIRMENT LOSSES ON GOODWILL AND INTANGIBLE ASSETS

In June 2019, the Group ceased the operation of an underperforming business unit, Cfu Come Limited ("Cfu Come"). Accordingly, impairment losses of goodwill and intangible assets of HK$16,631,000 and HK$2,456,000, respectively, in relation to Cfu Come were fully provided and charged to profit or loss during the year.

8. (LOSS)/PROFIT BEFORE TAX

	2019 HK$'000	2018 HK$'000
(Loss)/profit before tax has been arrived at after charging:		
Cost of sale of IT products	**8,550**	7,053
Cost of services rendered	**529,863**	464,984
Depreciation of property, plant and equipment	**53,843**	8,126
Amortisation of intangible assets[1]	**646**	865
Auditor's remuneration (including remuneration for non-audit services)	**2,194**	1,717
Minimum lease payments under operating lease[2]	**–**	38,483
Staff costs including directors' and chief executives' remunerations		
– Salaries, allowances, and other benefits	**431,212**	412,700
– Operating lease payments[2]	**–**	1,020
– Equity-settled share-based payments	**11,439**	8,806
– Contributions to retirement benefit schemes	**16,152**	13,705
	458,803	436,231
Impairment recognised/(reversal of impairment) on:		
– Trade receivables	**1,425**	1,636
– Contract assets	**130**	(668)
	1,555	968

Notes:

(1) Included in cost of services.

(2) The minimum lease payments under operating leases for staff quarters of HK$1,020,000 were included in staff costs during the year ended 31 December 2018.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

		Other emoluments				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Performance related bonus[4] HK$'000	Equity-settled share based payments HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2019						
Executive directors[1]						
Mr. Liang Ronald	**1,200**	**10,391**	**505**	**1,406**	**96**	**13,598**
Mr. Liu Gui Sheng	**–**	**–**	**–**	**1,301**	**–**	**1,301**
Mr. Fu Chin Shing ("Mr. Fu")[2]	**1,000**	**6,091**	**438**	**1,353**	**89**	**8,971**
Mr. Wang	**400**	**5,646**	**–**	**1,174**	**39**	**7,259**
Mr. Liu Yong	**–**	**–**	**–**	**389**	**–**	**389**
Mr. Ma Kwai Lam Lambert	**400**	**1,920**	**1,485**	**581**	**18**	**4,404**
	3,000	**24,048**	**2,428**	**6,204**	**242**	**35,922**
Independent non-executive directors[3]						
Mr. Lo Wai Hung	**168**	**–**	**–**	**–**	**–**	**168**
Mr. Yu Chi Hang (alias, Yue Chi Hang)	**168**	**–**	**–**	**–**	**–**	**168**
Ms. Su Ling	**168**	**–**	**–**	**–**	**–**	**168**
	504	**–**	**–**	**–**	**–**	**504**
	3,504	**24,048**	**2,428**	**6,204**	**242**	**36,426**
2018						
Executive directors[1]						
Mr. Liang Ronald	1,200	8,369	2,348	810	96	12,823
Mr. Liu Gui Sheng	–	–	–	763	–	763
Mr. Fu[2]	1,000	5,958	2,948	750	86	10,742
Mr. Wang	400	4,386	1,800	610	58	7,254
Mr. Liu Yong	–	–	–	218	–	218
Mr. Ma Kwai Lam Lambert	400	1,844	400	329	18	2,991
	3,000	20,557	7,496	3,480	258	34,791
Independent non-executive directors[3]						
Mr. Lo Wai Hung	168	–	–	–	–	168
Mr. Yu Chi Hang (alias, Yue Chi Hang)	168	–	–	–	–	168
Ms. Su Ling	168	–	–	–	–	168
	504	–	–	–	–	504
	3,504	20,557	7,496	3,480	258	35,295

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (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 the services rendered 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 bonuses are defined by reference to the performance of the Group for the years ended 31 December 2019 and 2018.

In prior years and during the year, certain directors were granted share options in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 30 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

During the year ended 31 December 2019, Mr. Liu Gui Sheng and Mr. Liu Yong waived their entitled emoluments of HK$1,200,000 (2018: HK$1,200,000) and HK$400,000 (2018: HK$400,000), respectively, for their capacity as executive directors of the Company. Except Mr. Liu Gui Sheng and Mr. Liu Yong, no director or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2019 (2018: Nil).

During the years ended 31 December 2019 and 2018, 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.

(b) Five highest paid employees

Of the five highest paid individuals in the Group, four (2018: three) were directors of the Company (including the Chief Executive Officer of the Company) whose emoluments are set out above. The emoluments of the remaining one (2018: two) highest paid employee are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and other benefits	**2,770**	5,348
Performance related bonuses	**692**	1,092
Pension scheme contributions (defined contribution scheme)	**18**	36
	3,480	6,476

The emoluments of the non-director and non-chief-executive highest paid employee were within the range of HK$3,000,001 to HK$3,500,000 (2018: HK$3,000,001 to HK$3,500,000).

10. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
The income tax expense (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	**1,639**	3,729
The PRC CIT	**9,792**	11,805
(Overprovision)/underprovision of Hong Kong Profits Tax in prior years	**(149)**	121
	11,282	15,655
PRC withholding tax	**1,136**	–
Deferred tax (Note 28):		
Current year	**(3,506)**	(1,552)
	8,912	14,103

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

PRC corporate income tax ("CIT") has been provided at the rate of 25% (2018: 25%) on the estimated assessable profits in Mainland China during the year. LWK Architecture, a wholly owned subsidiary of the Company, satisfied the requirements of the relevant local tax bureau as a qualified enterprise in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone and was entitled to a preferential tax rate of 15% (2018: 15%) for the year.

Pursuant to the PRC Corporate Income Tax Law (the "CIT law"), a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% is applied for Hong Kong resident companies, which are the beneficial owners of the dividends received.

Macau profits tax has been provided at the rate of 12% (2018: 12%) on the estimated assessable profits arising in Macau after exemption allowance of MOP600,000 (equivalent to HK$582,000) (2018: MOP600,000 (equivalent to HK$582,000)) during the year.

10. INCOME TAX EXPENSE (Continued)

A reconciliation of tax expense applicable to the (loss)/profit before tax at the Hong Kong statutory rate to the tax expense at the effective tax rate is as follows:

	2019 HK$'000	2018 HK$'000
(Loss)/profit before tax	**(1,670)**	65,285
Tax at the Hong Kong profits tax rate of 16.5% (2018: 16.5%) (note)	**(276)**	10,772
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(553)**	(896)
Effect of different tax rates of profits generated in Mainland China by Hong Kong entities	**3,742**	800
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiary	**1,136**	–
Tax effect of expenses not deductible for tax	**4,389**	3,103
Tax effect of income not subject to tax	**(13)**	(5)
Tax effect of tax losses not recognised	**308**	401
Utilisation of tax losses previously not recognised	**(180)**	–
Adjustments in respect of current tax of previous periods	**(149)**	121
Income tax at the concessionary rate	**–**	(165)
Others	**508**	(28)
Income tax expense	**8,912**	14,103

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

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the loss (2018: profit) for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 288,260,780 (2018: 288,260,780) in issue during the year.

The computation of diluted loss per share for the year ended 31 December 2019 does not assume the exercise of certain share options granted by the Company because the relevant exercise prices of those options were higher than the relevant average market price of the shares of the Company for the year ended 31 December 2019.

During the year ended 31 December 2018, the calculation of the diluted earnings per share amounts was based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)

The calculations of basic and diluted (loss)/earnings per share are based on:

	2019 HK$'000	2018 HK$'000
(Loss)/earnings:		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earning per share calculation	**(11,717)**	46,982

	Number of Shares 2019	2018
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basis (loss)/earnings per share calculation	**288,260,780**	288,260,780
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	1,430,085
	288,260,780	289,690,865

12. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 interim dividend of HK3.0 cents per ordinary share	**–**	8,648
2018 final dividend of HK2.0 cents (2018: 2017 final dividend of HK4.0 cents) per ordinary share	**5,765**	11,530
	5,765	20,178

No final dividend was proposed by the Company in respect of the year ended 31 December 2019.

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000 (Note 14)	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2018	–	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
Effect of adoption of HKFRS 16	91,465	(2,555)	–	–	88,910
At 1 January 2019 (restated)	91,465	17,704	47,532	1,888	158,589
Additions	24,047	10,250	7,576	–	41,873
Disposals/written off	–	–	(91)	–	(91)
Exchange realignment	(3,006)	(138)	(284)	–	(3,428)
At 31 December 2019	112,506	27,816	54,733	1,888	196,943
ACCUMULATED DEPRECIATION					
At 1 January 2018	–	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
Effect of adoption of HKFRS 16	1,321	(1,321)	–	–	–
At 1 January 2019 (restated)	1,321	11,492	32,136	1,601	46,550
Charge for the year	45,253	2,791	5,668	131	53,843
Eliminated on disposals/written off	–	–	(82)	–	(82)
Exchange realignment	(2,286)	(55)	(184)	–	(2,525)
At 31 December 2019	44,288	14,228	37,538	1,732	97,786
CARRYING AMOUNTS					
At 31 December 2019	68,218	13,588	17,195	156	99,157
At 31 December 2018	–	7,446	15,396	287	23,129

14. LEASES

The Group as a lessee

The Group has lease contracts of office properties and staff quarters. Leases of office properties and staff quarters generally have lease terms ranging from 2 to 5 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office properties HK$'000	**Staff quarters** HK$'000	**Total** HK$'000
At 1 January 2019	87,632	2,512	90,144
Additions	22,683	1,364	24,047
Depreciation charge	(43,199)	(2,054)	(45,253)
Exchange realignment	(720)	–	(720)
At 31 December 2019	66,396	1,822	68,218

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities HK$'000
Carrying amount at 1 January 2019	88,131
New leases	23,166
Accretion of interest recognised during the year	3,686
Payments	(44,954)
Exchange realignment	(741)
Carrying amount at 31 December 2019	69,288
Analysed into:	
Current portion	27,655
Non-current portion	41,633
	69,288

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities (Continued)

The maturity analysis of lease liabilities is as follows:

	2019 HK$'000
Analysed into:	
Within one year or on demand	**27,655**
In the second year	**21,092**
In the third to fifth years, inclusive	**20,541**
	69,288

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK$'000
Interest on lease liabilities	**3,686**
Depreciation charge of right-of-use assets	**45,253**
Total amount recognised in profit or loss	**48,939**

(d) The total cash outflow for leases is disclosed in Notes 32(c) to the financial statements.

15. GOODWILL

	LWK Architecture HK$'000	Cfu Come HK$'000	isBIM HK$'000	Total HK$'000
COST AND CARRYING VALUES				
At 1 January 2018	4,594	16,631	10,463	31,688
Exchange realignment	(238)	–	–	(238)
At 31 December 2018 and 1 January 2019	4356	16,631	10,463	31,450
Impairment during the year (Note 7)	–	(16,631)	–	(16,631)
Exchange realignment	(76)	–	–	(76)
At 31 December 2019	4,280	–	10,463	14,743

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

During the year ended 31 December 2019, management determined that Cfu Come CGU containing goodwill and other intangible assets was fully impaired (Note 7) and there was no impairment for LWK Architecture CGU and isBIM CGU.

During the year ended 31 December 2018, management determined that there was no impairment for any of its CGUs.

LWK Architecture CGU

Goodwill arose from the acquisition of a 75% equity interest in LWK Architecture during the year ended 31 December 2011, which is engaged in the provision of comprehensive architectural services in Mainland China.

Cfu Come CGU

Goodwill arose from the acquisition of an 80.5% equity interest in Cfu Come during the year ended 31 December 2015, which is engaged in the provision of repair services and fitting out works and operation of related mobile application. The goodwill arising from the acquisition of Cfu Come and intangible assets of mobile application have been allocated to Cfu Come CGU for impairment testing purposes under the comprehensive architectural services segment. Given the cessation of business of Cfu Come, management considered that the recoverable amount of this CGU, which was determined based on a value-in-use using a discount rate of 13.0%, was minimal. Therefore, the carrying amounts of related goodwill and intangible assets (Note 16) were fully impaired.

15. GOODWILL (Continued)

isBIM CGU

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

The recoverable amount of each CGU has been determined based on a value-in-use. The calculation uses cash flow projection based on financial budgets approved by management covering a 5-year period, and an appropriate discount rate. The cash flows beyond the 5-year period are extrapolated using a steady 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. The discount rate used are before tax and reflect specific risks relating to the relevant units.

Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows include budgeted revenue and gross margin. Such estimates are based on each CGU's past performance and management's expectations for the market development.

31 December 2019

	LWK Architecture	**isBIM**
Discount rate	**14.8%**	**13.9%**
Terminal growth rate	**3%**	**3%**

31 December 2018

	LWK Architecture	Cfu Come	isBIM
Discount rate	14.8%	13.0%	13.9%
Terminal growth rate	3%	3%	3%

The directors of the Company considered that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts of the CGUs to exceed their respective recoverable amounts as at 31 December 2019 and 2018.

16. INTANGIBLE ASSETS

	BIM platform under development HK$'000	BIM platform HK$'000	License HK$'000	Customer relationship HK$'000	Club membership HK$'000 (Note)	Mobile application HK$'000	Mobile application under development HK$'000	Total HK$'000
COST								
At 1 January 2018	–	–	4,577	4,023	569	971	–	10,140
Additions	2,060	–	–	–	–	–	1,623	3,683
Exchange realignment	–	–	(237)	–	–	–	–	(237)
At 31 December 2018 and 1 January 2019	2,060	–	4,340	4,023	569	971	1,623	13,586
Additions	4,023	–	–	–	–	–	–	4,023
Transfers	(1,046)	1,046	–	–	–	–	–	–
Impairment	–	–	–	–	–	(971)	(1,623)	(2,594)
Exchange realignment	62	(9)	(75)	–	–	–	–	(22)
At 31 December 2019	5,099	1,037	4,265	4,023	569	–	–	14,993
ACCUMULATED AMORTISATION								
At 1 January 2018	–	–	4,350	42	–	–	–	4,392
Charge for the year	–	–	224	503	–	138	–	865
Exchange realignment	–	–	(234)	–	–	–	–	(234)
At 31 December 2018 and 1 January 2019	–	–	4,340	545	–	138	–	5,023
Charge for the year	–	143	–	503	–	–	–	646
Impairment	–	–	–	–	–	(138)	–	(138)
Exchange realignment	–	(2)	(75)	–	–	–	–	(77)
At 31 December 2019	–	141	4,265	1,048	–	–	–	5,454
CARRYING AMOUNTS								
At 31 December 2019	5,099	896	–	2,975	569	–	–	9,539
At 31 December 2018	2,060	–	–	3,478	569	833	1,623	8,563

Note:

Club membership has an indefinite useful life as there is no time limit for which the Group can use the membership, and therefore it will not be amortised until its useful life is determined to be finite upon reassessment annually. Accordingly, club membership is tested for impairment annually and whenever there is an indication that it may be impaired. During the years ended 31 December 2019 and 2018, management determined that there was no impairment of club membership by reference to the quoted market prices, which is classified as Level 1 of the fair value hierarchy.

17. INVESTMENT IN A JOINT VENTURE AND AMOUNT DUE TO A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Share of net assets	**4,969**	–

The amount due to joint venture is unsecured, interest-free and repayable on demand.

Particulars of the Group's joint venture are as follows:

Name	Registered capital	Place of registration and business	Percentage of Ownership interest	Voting power	Profit sharing	Principal activity
C-Bay	RMB26,270,000	PRC	50%	50%	50%	Provision of smart city consultancy services

On 13 August 2019, Bertand Investments Limited, a subsidiary of the Company, entered into the sino-foreign joint venture agreement with Beijing General Municipal Engineering Design & Research Institute Co. Ltd ("BMEDI") to establish a sino-foreign joint venture company, C-Bay Smart Cities Limited (大雲灣智滙城市發展(深圳)有限公司) ("C-Bay"), which will focus on providing consultancy services in Guangdong-Hong Kong-Macau Greater Bay Area in respect of smart city development.

The above investment is indirectly held by the Company. The Group has exercised joint control on C-Bay as both joint venture partners has respectively appointed two directors out of four directors of C-Bay, and the remaining director, who is independent to both joint venture partners, was nominated and appointed by both joint venture partners. The relevant activities of C-Bay require the unanimous consent from both joint venture partners.

The total investment costs of C-Bay were HK$50,000,000, of which joint venture partners are required to subscribe the capital aggregate of HK$30,000,000. 1/3 of capital injection has to be paid upon the completion of the registration of C-Bay, which was in September 2019, and the remaining 2/3 of capital injection is required to be paid within 30 years by mutually agreed dates by both joint venture partners. As at 31 December 2019, the Group has not yet paid up HK$5,000,000 but subsequently settled this balance in January 2020.

17. INVESTMENT IN A JOINT VENTURE AND AMOUNT DUE TO A JOINT VENTURE (Continued)

The summarised financial information in respect of the Group's joint venture and are accounted for using the equity method is set out below:

	2019 HK$'000
Cash and bank balances	**4,296**
Other current assets	**5,642**
Net assets	**9,938**
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	**50%**
Carrying amount of the investment	**4,969**
Revenue	**261**
Interest income	**3**
Loss and total comprehensive loss for the year	**(62)**

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Interest rate	Maturity date	2018 HK$'000
Listed bond A	6.5%	Perpetual	21,493
Listed bond B	5.0%	Perpetual	19,985
			41,478

The above unlisted investments were listed bonds in Hong Kong and overseas. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. During the year, the Group disposed of those listed bonds.

19. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Details of impairment assessment are set out in Note 37 to the financial statements. During the year, the Group disposed of the listed bond C.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 HK$'000	2018 HK$'000
Prepayments	**6,311**	6,886
Rental and utility deposits paid	**11,298**	11,169
Prepaid disbursements	**585**	1,062
Other receivables	**2,785**	1,779
Other assets (note)	**–**	2,654
	20,979	23,550
Analysed into		
Non-current assets	**11,169**	10,983
Current assets	**9,810**	12,567
	20,979	23,550

Note: Other assets as at 31 December 2018 represented a carrying amount of properties held for sale located in Mainland China. During the year, the Group disposed of these properties to independent third parties for an aggregate consideration of HK$2,897,000 (equivalent to RMB2,553,000) with a gain of HK$96,000 (equivalent to RMB85,000).

21. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Bills receivable	**7,812**	4,458
Trade receivables	**216,999**	215,253
	224,811	219,711
Impairment	**(5,918)**	(4,526)
	218,893	215,185

* Bills receivable held are with a maturity period of less than one year

The Group does not hold any collateral or other credit enhancements over its trade receivable balances and the trade receivables are non-interest-bearing.

An ageing analysis of trade receivables, as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019 HK$'000	2018 HK$'000
Unbilled receivables (Note)	**79,513**	72,989
Within 30 days	**61,488**	49,160
Over 30 days and within 90 days	**37,482**	47,855
Over 90 days and within 180 days	**15,985**	22,435
Over 180 days	**24,425**	22,746
	218,893	215,185

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

Disclosures related to ECLs are set out in Note 37 to the financial statements.

22. CONTRACT ASSETS

	2019 HK$'000	2018 HK$'000
Comprehensive architectural services	**142,910**	105,645
BIM services	**17,560**	15,753
	160,470	121,398
Impairment	**(405)**	(275)
	160,065	121,123

The contract assets primarily relate to the Group's right to consideration for the services rendered and not yet invoiced because the rights are conditional 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 achieved. The Group requires certain customers to provide upfront deposits ranging from 5% to 10% of total contract sum as part of its credit risk management policies. Typically, the Group transfers the contract assets to trade receivables as "unbilled receivable" when the Group achieves the specific milestones in the corresponding contracts.

The Group 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 has classified these contract assets as current because the Group expects to realise them in its normal operating cycle. Disclosures relating to ECLs are set out in Note 37 to the financial statements.

23. CASH AND BANK BALANCES

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**266,965**	179,758
Time deposits with original maturity of over three months when acquires	**1,228**	2,346
	268,193	182,104

23. CASH AND BANK BALANCES (Continued)

As at 31 December 2019, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$147,381,000 (2018: HK$143,387,000). Certain RMB maintained in Mainland China is not freely convertible into other currencies, however, under mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

As at 31 December 2019, bank balances earned interest at floating rates ranging from 0.01% to 3.45% (2018: 0.01% to 5.00%).

24. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follow:

	2019 HK$'000	2018 HK$'000
Within 30 days	**4,635**	3,382
Over 30 days and within 90 days	**15**	87
Over 90 days	**796**	1,082
	5,446	4,551

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

25. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Refundable deposits received from customers	**525**	1,867
Accrued payroll costs and bonuses	**54,810**	70,695
Accrued expenses	**5,209**	3,076
Other payables	**6,132**	3,976
Other tax payables	**521**	19
	67,197	79,633

Other payables are non-interest bearing and have an average term of one month.

26. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Comprehensive architectural services	**85,609**	70,304
BIM services	**4,789**	1,348
	90,398	71,652

The revenue recognised in the current year relating to carried forward contract liabilities was as follows

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the contract liabilities at the beginning of the year		
- Comprehensive architectural services	**44,437**	53,260
- BIM services	**1,065**	520
	45,502	53,780

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. Typically, the Group receives deposits ranging from 5% to 10% of total contract sum from certain customers before the service commences.

The Group considered that the advance payments contain a significant financing component. In the opinion of the directors of the Company, given the consideration of the time value of money and credit characteristics of the relevant group entities, the adjusted amount is immaterial.

27. INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Effective interest rate (%) (note b)	**Maturity**	**HK$'000**	Effective interest rate (%) (note b)	Maturity	HK$'000
Current						
Bank loans (Note c)	**2.95 – 4.66**	**Revolving**	**85,000**	2.37 – 4.37	Revolving	39,000
Portion of bank loans for repayment within one year which contain a repayment on demand clause	**2.97 – 4.55**	**2020**	**18,709**	2.69 – 3.70	2019	6,505
Portion of bank loans for repayment after one year which contain a repayment on demand clause	**2.97 – 4.55**	**2021 – 2022**	**6,608**	2.69 – 3.70	2020 – 2021	8,706
			110,317			54,211

Notes:

(a) Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank borrowings, the bank borrowings are repayable:

	2019 HK$'000	2018 HK$'000
Within one year or on demand	**103,709**	45,505
In the second year	**4,941**	7,376
In the third to fifth years, inclusive	**1,667**	1,330
	110,317	54,211

(b) All bank borrowings are unsecured and bear interest at a variable market rate at a premium over Hong Kong Interbank Offered Rate ("HIBOR").

(c) The amount was revolved on a monthly basis with a repayment on demand clause set out in the loan agreements.

28. DEFERRED TAX

The movements in deferred tax (liabilities)/assets during the years are as follow:

	Difference between accounting depreciation and depreciation allowance 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$'000	Right-of-use asset/ Lease liabilities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	(572)	(1,813)	(852)	(854)	275	–	–	(3,816)
Deferred tax charged/(credited) 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)
Effect of adoption of HKFRS 16	–	–	–	–	–	(119)	–	(119)
At 1 January 2019 (restated)	(555)	(1,513)	(679)	(559)	1,107	(119)	(65)	(2,383)
Deferred tax charged/(credited) to profit or loss	849	783	(411)	315	1,458	373	139	3,506
At 31 December 2019	294	(730)	(1,090)	(244)	2,565	254	74	1,123

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:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**2,864**	998
Deferred tax liabilities	**(1,741)**	(3,262)
	1,123	(2,264)

The Group has tax losses arising in Hong Kong of HK$12,200,000 (2018: HK$11,425,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group did not recognise the deferred tax assets in respect of such tax losses due to the unpredictability of future profit streams.

28. DEFERRED TAX (Continued)

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in mainland China in respect of earnings generated from 1 January 2008. 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$124,153,000 (2018: HK$113,761,000) 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.

29. ISSUED CAPITAL

Ordinary shares of HK$0.01 each	Number of shares	Share capital HK$'000
Authorised		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,000,000,000	10,000
Issued and fully paid		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	288,260,780	2,883

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

30. 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 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 highest 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.

30. SHARE OPTION SCHEME (Continued)

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

Grant	Grantee	Date of grants	Number of options granted	Vesting period	Exercise period	Exercise price	Fair value at grant date
2016 Grant	Consultants (note)	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)	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
2019 Grant	Executive directors	28 November 2019	4,800,000	28 November 2019 to 27 November 2022	28 November 2022 to 27 November 2024	HK$1.55	HK$0.59
2019 Grant	Other employees	28 November 2019	4,100,000	28 November 2019 to 27 November 2022	28 November 2022 to 27 November 2024	HK$1.55	HK$0.59
2019 Grant	Executive directors	5 February 2020	13,500,000	5 February 2020 to 27 November 2022	28 November 2022 to 27 November 2024	HK$1.55	HK$0.59

Note:

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.

30. SHARE OPTION SCHEME (Continued)

On 28 November 2019, 8,900,000 options were granted under the Share Option Scheme and the estimated fair value of the options granted on this date was HK$5,251,000. Details of the Company's share options held by employees, directors and consultants during the year ended 31 December 2019 are as follows:

	Outstanding at 1.1.2019	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Outstanding at 31.12.2019
2017 Grant 1	3,800,000	–	–	–	3,800,000
2017 Grant 2	24,900,000	–	–	(740,000)	24,160,000
2018 Grant	18,100,000	–	–	–	18,100,000
2019 Grant	–	8,900,000	–	–	8,900,000
	46,800,000	8,900,000	–	(740,000)	54,960,000
Exercisable at the end of the year					3,800,000
Weighted average exercise price per share	HK$2.49	HK$1.55	–	HK$2.49	HK$2.34

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$15,522,000. Details of the Company's share options held by employees, directors and consultants during the year ended 31 December 2018 are as follows:

30. SHARE OPTION SCHEME (Continued)

	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	–	–	(406,000)	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 per share	HK$2.61	HK$2.33	–	HK$2.75	HK$2.49

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

	2018 Grant		2019 Grant	
	Executive directors	Executive directors and other employees	Executive directors	Executive directors and other employees
Exercise price	HK$2.33	HK$2.33	HK$1.55	HK$1.55
Expected volatility	44.98%	47.69%	55.41%	55.41%
Expected life	7 years	5 years	5 years	5 years
Risk-free rate	2.40%	2.37%	1.81%	1.81%
Expected dividend yield	2.60%	2.60%	1.29%	1.29%

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.

No other feature of the options granted was incorporated into measurement of fair value.

The Company recognised the expenses of HK$10,391,000 (2018: HK$8,335,000) for the year ended 31 December 2019 in relation to share option granted by the Company. The Group recognised the expenses of HK$1,048,000 (2018: HK$471,000) for the year ended 31 December 2019 in relation to share option granted by the non-wholly-owned subsidiary and the subsidiary's share option scheme was detailed in the Company's announcement dated 20 July 2018.

30. SHARE OPTION SCHEME (Continued)

At the end of the reporting period, the Company had 54,960,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 54,960,000 additional ordinary shares of the Company and additional share capital and share premium of HK$550,000 and HK$128,057,000, respectively (before issue expenses).

Subsequent to the end of the reporting period, on 5 February 2020, a total of 13,500,000 share options were granted to certain directors of the Company in respect of their services to the Group in the forthcoming year. In January 2020, 30,000 share options of 2017 Grant 2 were lapsed.

At the date of approval of these financial statements, the Company had 68,430,000 share options outstanding under the Share Option Scheme, which represented approximately 23.7% of the Company's shares in issue as at that date.

31. 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:

	2019 HK$'000	2018 HK$'000
Profit for the year allocated to non-controlling interests	**1,934**	4,799
Accumulated balance of non-controlling interests at the reporting date	**33,787**	30,317

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

	2019 HK$'000	2018 HK$'000
Revenue	**63,701**	52,383
Total expenses	**(58,804)**	(40,762)
Profit for the year	**3,793**	9,409
Total comprehensive income for the year	**3,558**	9,583
Current assets	**72,844**	64,141
Non-current assets	**10,041**	9,514
Current liabilities	**(17,842)**	(13,005)
Non-current liabilities	**(394)**	(1,204)
Net cash flows from/(used in) operating activities	**2,748**	(13,849)
Net cash flows used in investing activities	**(5,041)**	(3,377)
Net cash flows from financing activities	**–**	13,720
Net decrease in cash and bank balances	**(2,293)**	(3,506)

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

In addition to the non-cash transactions detailed elsewhere in these financial statements, the Group had the following non-cash transactions during the year.

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$24,047,000 and HK$23,166,000, respectively, in respect of lease arrangements for office permises and staff quarters (2018: Nil).

During the year, capital injection by non-controlling interests of HK$1,645,000 has been settled through other receivable.

(b) Changes in liabilities arising from financing activities

	Lease liabilities HK$'000 (Note 14)	Dividend payable HK$'000 (Note 12)	Interest-bearing bank borrowings HK$'000 (Note 27)
At 1 January 2018	–	–	35,350
Financing cash flows	–	(20,178)	18,861
Dividend recognised as distribution	–	20,178	–
At 31 December 2018	–	–	54,211
Effect of adoption of HKFRS 16	88,131	–	–
At 1 January 2019 (restated)	88,131	–	54,211
New leases	23,166	–	–
Interest expense	3,686	–	–
Interest paid classified as operating cash flows	(3,686)	–	–
Financing cash flows	(41,268)	(5,765)	56,106
Dividend recognised as distribution	–	5,765	–
Foreign exchange movement	(741)	–	–
At 31 December 2019	69,288	–	110,317

(c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statement of cash flows is as follows:

	2019 HK$'000
Within operating activities	3,686
Within financing activities	41,268
	44,954

33. COMMITMENT

(a) Capital commitment

As at 31 December 2019, the Group has a capital commitment in respect of investment in a joint venture of HK$10,000,000 which has been contracted but not provided for in the consolidated financial statements.

(b) Operating lease commitments

As at 31 December 2018, the Group leased certain of its office properties and staff quarters under operating lease arrangements. Leases for its office properties and staff quarters were with terms of 2 to 3 years at fixed rates. The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000
Within one year	38,616
In the second to fifth years, inclusive	56,558
	95,174

34. RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the year, the Group recognised revenue of HK$3,810,000 (2018: HK$6,690,000) from its comprehensive architectural services and BIM services provided to BMEDI and its subsidiaries. As at 31 December 2019, the Group had trade receivables due from BMEDI and its subsidiaries amounting to HK$2,886,000 (2018: nil). BMEDI is a substantial shareholder of the Company.

During the year ended 31 December 2019, the Group leased a property from BMEDI for an office. The monthly lease payable was determined on a basis mutually agreed by both parties with reference to the prevailing market rent of similar properties located at the surrounding area available to independent third parties. Accordingly, right-of-use assets and lease liabilities of HK$4,126,000 in respect of the leases were recognised in the consolidated statement of financial position as at 31 December 2019. During the year ended 31 December 2019, depreciation of right-of-use assets of HK$688,000 and interest expense on the lease liabilities of HK$90,000 were charged to the consolidated statement of profit or loss and other comprehensive income.

(b) Other transactions with related parties

During the year, the Group set up a joint venture with BMEDI, a substantial shareholder of the Company. The details of the transaction are included in Note 17 to the consolidated financial statements and the announcement of the Company dated 13 August 2019.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management is disclosed in Note 9 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORIES

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets	Financial assets at amortised cost HK$'000
Financial assets included in prepayments, other receivables and other assets	14,083
Trade receivables	218,893
Cash and bank balances	268,193
	501,169

Financial liabilities	Financial liabilities at amortised costs HK$'000
Trade payables	5,446
Financial liabilities included in other payables and accruals	11,866
Interest-bearing bank borrowings	110,317
Lease liabilities	69,288
Due to a joint venture	5,000
	201,917

35. FINANCIAL INSTRUMENTS BY CATEGORIES (Continued)

2018

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such HK$'000	Debt investments HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	41,478	–	–	41,478
Debt investments at fair value through other comprehensive income	–	20,456	–	20,456
Financial assets included in prepayments, other receivables and other assets	–	–	12,948	12,948
Trade receivables	–	–	215,185	215,185
Cash and bank balances	–	–	182,104	182,104
	41,478	20,456	410,237	472,171

Financial liabilities	Financial liabilities at amortised costs HK$'000
Trade payables	4,551
Financial liabilities included in other payables and accruals	8,919
Interest-bearing bank borrowings	54,211
	67,681

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, an amount due to a joint venture, interest-bearing bank borrowings, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments or repayable on demand.

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The financial controller reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current lease liabilities has been calculated by discounting the expected future cash flows using incremental borrowing rates with similar terms and credit risk.

Fair value hierarchy

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

	Fair value as at 2019 HK$'000	2018 HK$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobserved inputs
Financial assets at fair value through profit or loss	–	41,478	Level 2	Based on the quoted market	N/A
Debt investments at fair value through other comprehensive income	–	20,456	Level 2	Based on the quoted market	N/A
	–	61,934			

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 and 2018.

During the year of 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise interest-bearing bank borrowings, cash and bank balances, trade receivables and trade payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals and an amount due to a joint venture which arise directly from its operations.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The main risks arising from the Group's financial instruments are market risk including interest rate risk, currency risk, credit risk and liquidity risk.

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 rates of interest 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 2019 would decrease/increase by HK$461,000 (2018: HK$226,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Currency risk

Certain financial assets at fair value through profit or loss, debt instruments at fair value through other comprehensive income, trade receivables, cash and bank balances and other payables of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign exchange hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax.

	Change in foreign currency rate %	**Increase/ (decrease) in loss before tax HK$'000**
2019		
If HK$ weakens against RMB	**5%**	**(4,039)**
If HK$ strengthens against RMB	**5%**	**4,039**

	Change in foreign currency rate %	Increase/ (decrease) in profit before tax HK$'000
2018		
If HK$ weakens against RMB	5%	2,877
If HK$ strengthens against RMB	5%	(2,877)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment

As at 31 December 2019, 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 arose from the carrying amounts 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 2019, the Group's concentration of credit risk by geographical locations of the projects is in Mainland China, which accounted for HK$146,652,000 (2018: HK$160,301,000) of the trade receivables.

The Group has a concentration of credit risk from its major customers. For the year ended 31 December 2019, aggregate revenue from the top five customers of the Group accounted for 25.6% (2018: 29.6%) of the total revenue. As at 31 December 2019, balances due from them amounted to approximately HK$26,689,000 (2018: HK$46,956,000), representing 12.2% (2018: 21.8%) of the trade receivables. These major customers are mainly property developers in Hong Kong and Mainland China with good reputation.

In order to minimise the credit risk, 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 is 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 the ECL model on the balance including trade receivables and contract assets based on a 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

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 the 12-month ECL method based on the Group's assessment in the risk of default of the respective counterparties.

As at 31 December 2019 and 2018, the Group has assessed that the expected loss rates for other receivables were immaterial. Thus, no loss allowance for other receivables was recognised.

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 default based on information developed internally or external resources	Lifetime ECL – not credit-impaired	12-month ECL
Medium	The counterparties are unlisted entities or small to medium entities	Lifetime ECL – not credit-impaired	12-month ECL
Low	There have been significant increases in credit risk since initial recognition based on 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	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

37. 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:

31 December 2019	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	HK$'000
Financial assets at amortised cost						
Trade receivables[1]	21	N/A	High	Lifetime ECL (provision matrix)	115,882	
			Medium	Lifetime ECL (provision matrix)	99,103	
			Low	Lifetime ECL (provision matrix)	4,090	
			Loss	Credit-impaired	5,736	224,811
Bank balances	23	A-3 to A-1+	N/A	12-month ECL	268,193	268,193
Rental and utility deposits[2]	20	N/A	High	12-month ECL	11,298	11,298
Other receivables[2]	20	N/A	High	12-month ECL	2,785	2,785
Other items						
Contract assets[1]	22	N/A	High	Lifetime ECL (provision matrix)	137,005	
		N/A	Medium	Lifetime ECL (provision matrix)	23,465	160,470

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

31 December 2018	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	HK$'000
Debt instrument at fair value through other comprehensive income						
Listed bond	19	Baa1	High	12-month ECL	20,456	20,456
Financial assets at amortised costs						
Trade receivables[1]	21	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	23	A-3 to A-1+	N/A	12-month ECL	182,104	182,104
Rental and utility deposits[2]	20	N/A	High	12-month ECL	11,169	11,169
Other receivables[2]	20	N/A	High	12-month ECL	1,779	1,779
Other items						
Contract assets[1]	22	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 to measure the loss allowance based on lifetime ECLs. 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

The information about the exposure to credit risk for trade receivables and contract assets as at 31 December was as follows:

Gross carrying amount

Internal credit rating	2019 Average loss rate	2019 Trade receivables HK$'000	2019 Contract assets HK$'000	2018 Average loss rate	2018 Trade receivables HK$'000	2018 Contract assets HK$'000
Grade 1-5: High	**0.18%**	**115,882**	**137,005**	0.08%	135,148	112,449
Grade 6: Medium	**0.72%**	**99,103**	**23,465**	1.59%	77,529	8,949
Grade 7-8: Low	**25.57%**	**4,090**	**–**	25.57%	2,821	–
Grade 9: loss	**68.91%**	**5,736**	**–**	58.39%	4,213	–
		224,811	**160,470**		219,711	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 that relevant information about specific debtors is updated.

The movements in lifetime ECLs that have been recognised for trade receivables under the simplified approach are as follows:

	2019 Lifetime ECL (not credit-impaired) HK$'000	2019 Lifetime ECL (credit-impaired) HK$'000	2019 Total HK$'000	2018 Lifetime ECL (not credit-impaired) HK$'000	2018 Lifetime ECL (credit–impaired) HK$'000	2018 Total HK$'000
At beginning of year	**2,066**	**2,460**	**4,526**	966	2,433	3,399
Transfer to credit-impaired	**(312)**	**312**	**–**	(328)	328	–
Provision of impairment losses	**211**	**1,214**	**1,425**	1,428	208	1,636
Amount written off as uncollectible	**–**	**–**	**–**	–	(404)	(404)
Exchange realignment	**–**	**(33)**	**(33)**	–	(105)	(105)
At end of year	**1,965**	**3,953**	**5,918**	2,066	2,460	4,526

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

The movements in lifetime ECLs (not credit-impaired) that have been recognised for contract assets under the simplified approach are as follows:

	2019 **HK$'000**	2018 HK$'000
At beginning of year	**275**	943
Provision for impairment losses	**130**	–
Reversal of impairment losses	**–**	(668)
At end of year	**405**	275

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 interest-bearing bank borrowings and ensures compliance with loan covenants.

At 31 December 2019, the Group had available unutilised bank facilities of HK$35,000,000 (2018: HK$21,000,000). 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The table below shows the maturity profile including both interest and principal cash flows of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments. To the extent that interest flows are at floating rates, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

	Weighted average interest rate %	On demand or less than 1 year HK$'000	Over 1 year but less than 2 years HK$'000	Over 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December HK$'000
2019						
Trade payable	**n/a**	**5,446**	**–**	**–**	**5,446**	**5,446**
Financial liabilities included in other payable and accruals	**n/a**	**11,866**	**–**	**–**	**11,866**	**11,866**
Due to a joint venture	**n/a**	**5,000**	**–**	**–**	**5,000**	**5,000**
Lease liabilities	**4.38**	**30,659**	**23,697**	**21,311**	**75,667**	**69,288**
interest-bearing bank borrowings	**4.61**	**110,317**	**–**	**–**	**110,317**	**110,317**
		163,288	**23,697**	**21,311**	**208,296**	**201,917**
2018						
Trade payables	n/a	4,551	–	–	4,551	4,551
Financial liabilities included in other payables and accruals	n/a	8,919	–	–	8,919	8,919
interest-breaing bank borrowings	4.36	54,211	–	–	54,211	54,211
		67,681	–	–	67,681	67,681

Note:

Included in the above interest-bearing bank borrowings of the Group are term loans and revolving loans with a carrying amount of HK$110,317,000 (2018: HK$54,211,000). The loan agreement contains a repayment on demand clause giving the bank the unconditional right to call the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loans will be called in its entirety within 12 months from the end of the reporting period, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements, the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Note: (Continued)

In accordance with the terms of the loans which contain a repayment on-demand clause, the maturity profile of those loans as at 31 December 2019, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	Weighted average interest rate	On demand or less than 1 year	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Total undiscounted cash flows	Carrying amount at 31 December
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2019						
Interest-bearing bank borrowings	**4.61**	**103,680**	**5,247**	**1,944**	**110,871**	**110,317**
2018						
Interest-bearing bank borrowings	4.36	39,149	6,505	8,706	54,360	54,211

Capital Risk Management Policies and Objectives

The objectives of the management of the Group for 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 the prior year.

The capital structure of the Group consists of net debt, which includes the unsecured bank borrowings disclosed in Note 27 to the financial statements, net of cash and bank balances 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.

38. EVENTS AFTER THE REPORTING PERIOD

The outbreak of coronavirus disease 2019 ("COVID-19") was first reported from Wuhan, the PRC on 31 December 2019 and COVID-19 has spread to various other countries and regions, including Mainland China and Hong Kong in early 2020. It has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from COVID-19 on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the directors confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information becomes available.

39. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 **HK$'000**	2018 HK$'000
Non-current assets		
Investments in subsidiaries	**64,639**	83,498
Financial assets at fair value through profit or loss	**–**	41,478
Debt instrument at fair value through other comprehensive income	**–**	20,456
Due from subsidiaries	**131,682**	100,296
Total non-current assets	**196,321**	245,728
Current assets		
Other receivables	**579**	1,183
Due from subsidiaries	**31,127**	59,681
Cash and bank balances	**86,167**	20,696
Total current assets	**117,873**	81,560
Current liabilities		
Accruals	**1,061**	1,586
Interest-bearing bank borrowings	**25,317**	15,211
Total current liabilities	**26,378**	16,797
Net current assets	**91,495**	64,763
Net assets	**287,816**	310,491
Equity		
Issued capital	**2,883**	2,883
Reserves (Note)	**284,933**	307,608
Total equity	**287,816**	310,491

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

Note:

A summary of the Company's reserve is as follows:

	Share premium HK$'000	Share option reserve HK$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	283,501	3,313	(546)	14,027	300,295
Profit for the year	–	–	–	21,130	21,130
Other comprehensive loss for the year:					
Changes in fair value of a debt investment at fair value through other comprehensive income, net tax	–	–	(1,974)	–	(1,974)
Total comprehensive income (loss) for the year	–	–	(1,974)	21,130	19,156
Equity-settled share-option arrangements	–	8,335	–	–	8,335
Transfer of share option reserve to retained profits	–	(515)	–	515	–
Dividend declared	–	–	–	(20,178)	(20,178)
At 31 December 2018 and at 1 January 2019	283,501	11,133	(2,520)	15,494	307,608
Loss for the year	–	–	–	(29,821)	(29,821)
Other comprehensive loss for the year:					
Reclassification adjustment for gains included in profit or loss	–	–	2,520	–	2,520
Total comprehensive (loss) income for the year	–	–	2,520	(29,821)	(27,301)
Equity-settled share-option arrangements	–	10,391	–	–	10,391
Transfer of share option reserve to retained profits	–	(263)	–	263	–
Dividend declared	–	–	–	(5,765)	(5,765)
At 31 December 2019	283,501	21,261	–	(19,829)	284,933

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
RESULTS					
Revenue	354,799	358,944	455,768	671,598	**685,091**
Profit (loss) for the year	27,089	20,266	33,355	51,182	**(10,582)**
Earnings/(loss) per share					
Basic (HK cents)	15.3	10.7	12.9	16.3	**(4.06)**
Diluted (HK cents)	14.7	10.5	12.8	16.2	**(4.06)**

	As at 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	363,054	373,131	617,691	668,036	**799,402**
Total liabilities	(182,723)	(174,145)	(203,499)	(217,299)	**(352,212)**
	180,331	198,986	414,192	450,737	**447,190**
Equity attribute to owners of the Company	180,680	199,266	397,414	421,867	**413,641**
Non-controlling interests	(349)	(280)	16,778	28,870	**33,549**
	180,331	198,986	414,192	450,737	**447,190**