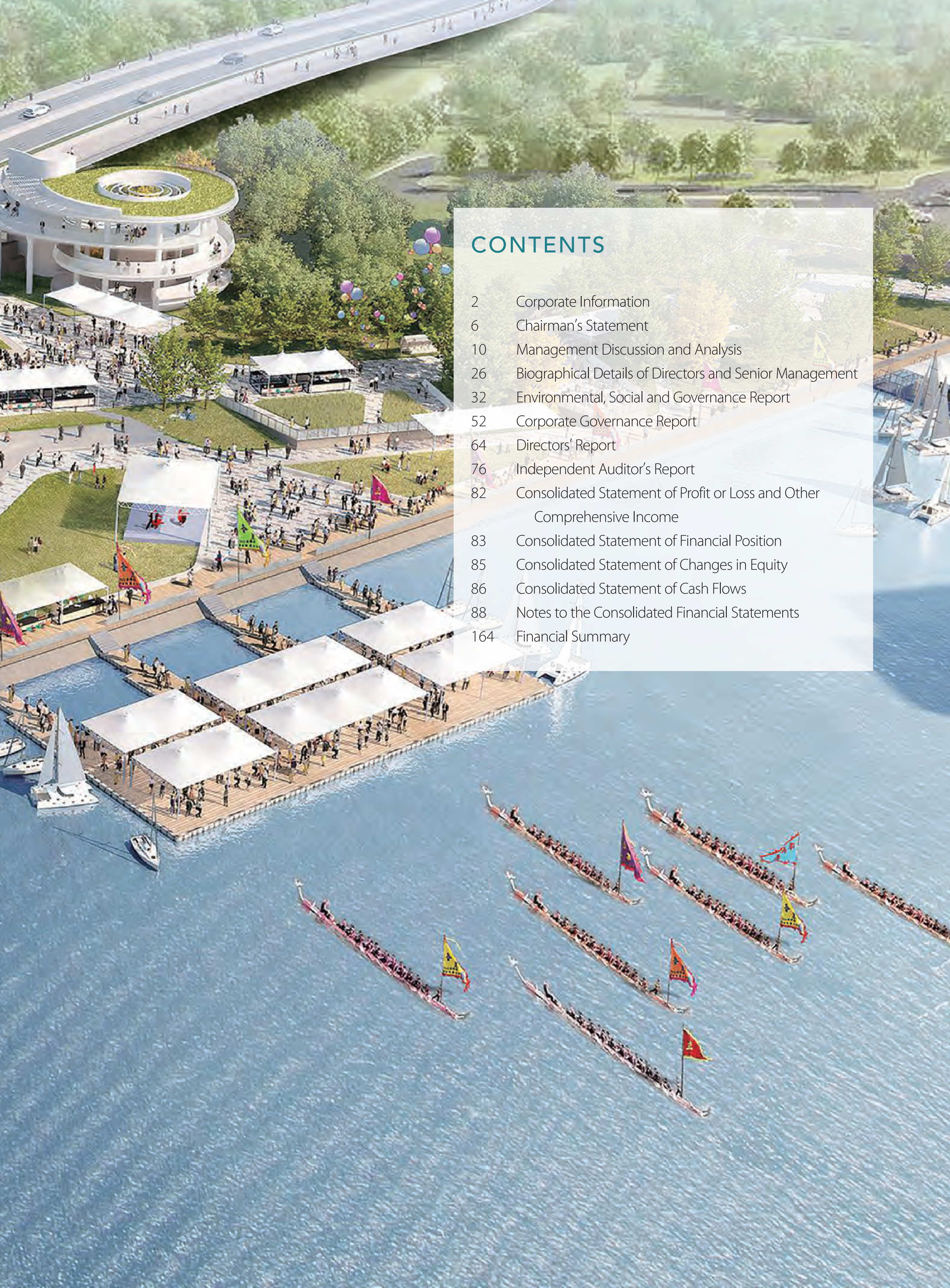
思城控股有限公司
C CHENG HOLDINGS LIMITED

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

ANNUAL REPORT 2021

Kai Tak Development - Stage 4 Infrastructure at the Former Runway and South Apron, Hong Kong, China



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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 Jun 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
No. 88 Fuhua 1 Road
Shenzhen
PRC

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F
One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

STOCK CODE

1486

CORPORATE WEBSITE

www.cchengholdings.com

CHAIRMAN'S STATEMENT

Qianhai Kerry Centre, Shenzhen, China

CHAIRMAN'S STATEMENT

Dear Shareholders,

As I am writing this annual statement, Hong Kong is facing an unprecedented crisis of Omicron virus spreading amongst our population. I take this opportunity to wish all our shareholders (the "Shareholders") the best of health and protection against this virus. Hopefully this virus will recede within the next few months.

On behalf of the board ("Board") of directors ("Directors") of C Cheng Holdings Limited (the "Company"), I am pleased to present the annual report, together with the subsidiaries (collectively, the "Group") for the year ended 31st December 2021.

GENERAL OVERVIEW

Our Group is pleased to report that in 2021 our top line has increased by 20.2% and our new contracts have increased by 9.5% to be approximately one billion HKD.

In 2021, a second year in a row, we are facing another challenging and difficult year whereby our closed border with Mainland China is draining our energy, testing our determination and focus, a battened down Hong Kong restricting entries being more severed from overseas destinations. In general, a fortress Hong Kong to protect the population from the raging infections that is affecting all other nations. Our Group strategy for COVID-19 was simple and straight forward: to retain our strength, we had to work from home or go into forming A and B groups of staff alternately working from home in order to increase the social distancing between the workstations within the office. Our PRC operations had been more or less running smoothly thanks to the efficiency of the government of Mainland China taking stern actions to curb the COVID-19 from spreading amongst the population.

However, in 2021, we are also beginning to see the aftereffects of a worldwide deteriorating geopolitical situation which started permeating into our markets, and in turn affecting the finances and funding of our clients in Mainland China. With this new turn of events, our Group was now facing headwinds on two fronts, not to say the least 70 percent of our work is in PRC and the Greater Bay Area.

Our major subsidiary, LWK + PARTNERS over the years have had sufficient experience to handle crisis. This is no difference. It may come in different form, but a crisis is a crisis. Firstly, over the years we have not expanded recklessly but with purpose. Our clienteles in the main are major developers on the stock exchange, with which we have had a long association.

In the Middle East and North Africa ("MENA") region, the aftershocks of the COVID-19 pandemic continue to affect the region – achieving growth and performance consistently and confidently in the region during 2021 was challenging. However, innovation to our Group is a bed rock principle and as such we introduced smart home technology to directly link the design process to the technology product. Launched in November in Dubai, it gained significant acceptance, thus ensuring our Group remain nimble, relevant and at the forefront of change across MENA.

TECHNOLOGY

As a Group we have over the past few years diversified into other businesses. Our focus remained the same for 2021. We have successfully negotiated the distributorship of a well-established company on smart home products. Again, we sought out products from related field to enhance and elevate our existing profile in the market as a comprehensive service provider. The product series was immediately introduced to our MENA office and was very well received at a regionally top-tier real estate exhibition. This series of products will be setting up our second front in our endeavour to establish our Group in the MENA market.

isBIM Limited ("isBIM"), a subsidiary acquired in 2017, one of the largest Building Information Modelling ("BIM") company in Asia, again did very well, with revenue going up more than quadruple since acquisition. With the onset of developments in the Greater Bay Area right at our door step, the Northern Metropolis Development near the Hong Kong border and numerous other planning schemes, we can see huge opportunities coming on line in the short to medium term and isBIM is well placed to take up these opportunities.

FINANCIAL INVESTMENT

In 2021, Mettle Capital Limited ("Mettle Capital"), which is our newly acquired internal investment arm in October 2020, took advantage of the adverse market reaction to the announcement of regulatory changes in Mainland China technology industry by making strategic long-term investments in companies focused on industries such as cloud services, IoT, 5G, data centres, artificial intelligence and semiconductors. All these industries will be integral with the development of smart cities which is still in the early stages but progressing. In 2022, Mettle Capital will continue to look for investment opportunities while also making tactical short-term investments amongst the market volatilities to help build up the capital base.

DESIGN AWARDS

In 2021, as in previous years, our Group took home more than 130 international and local awards for outstanding corporate performances, design excellence and exceptional capabilities demonstrated by individual members. We continued to rank in the top 100 architecture firms, standing 32nd globally according to the eminent World Architecture 100.

In MENA, we were recognised as the Best Luxury Architect Studio in Dubai, United Arab Emirates in Luxury Lifestyle Award. At the same time, we were listed as one of the top 100 cultural enterprises in Shenzhen. Our awards in Mainland China, as in previous years, were too numerous to list out.

The awards demonstrate an important aspect of our Group's character and that is our energy, our willingness to compete at the highest level is immense and will continue to form as the bed rock profile of our Group.

FUTURE PROSPECTS

We have seen in the last few years rapid changes in our economies both locally, overseas and in Mainland China depending on how one views the changes it could affect your corporation in a profound manner. But to our Group, there are always two sides to a coin. We see opportunities abound, we need to be positive, to adapt, to embrace and provide a clear vision for our corporation to move forward. For our traditional businesses, we have to ensure profitability as an essential component of our overall corporate objective and strategy in the coming years. Growing or expanding your business in the tradition sense must be on profit. 2021 has demonstrated that our Group can increase our top line in adverse conditions. Our focus in the coming year must therefore be profit.

Business opportunities are expanding, at the same time we are well aware the last two years have made us realised that the industry cannot be taken on anything as granted. The four sectors which we have named in previous years will continue to be our main focus namely architecture, technology, finance and property development. The Greater Bay Area, the newly announced Northern Metropolis Development at the border and our traditional architecture business in Mainland China will continue to underpin our growth for the next few years. 2022 will be a difficult year. Despite pre-existing concerns, we remain optimistic that by end of next year 2022, Hong Kong and our traditional markets will be back to normal with a vengeance.

ACKNOWLEDGEMENT

On behalf of the Board, I take this opportunity to sincerely express my gratitude to our directors, my partners and to all my colleagues for their effort, fortitude and leadership in the face of a difficult and challenging 2021. The Board also wishes to thank our shareholders and also to our clients again for their continuous support and faith in our ability to deliver a top-notch product.

Finally, as a Group, it is our aim to bring benefits to all our stakeholders.

Mr. Liang Ronald
Chairman

Hong Kong, 14 April 2022


WonYue City, Guangzhou, China

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Global transition towards carbon neutrality

The Group continued to perform healthily and maintain a sound financial position during the year amid uncertainties and disruptions associated with the ongoing COVID-19 pandemic. Especially in Mainland China, our key market, we sustained a strong position to influence regional urban developments and capture dynamic opportunities from one of the world's fastest recovering economies, thanks to a solid clientele, deep-rooted local networks and a flexible business model.

The Group is leading a proactive role in transforming a greener building industry under the international goal towards carbon neutrality or net zero emissions. During the year, our major architectural business continued to deliver positive results with a dedicated focus on helping cities over the world become climate-adaptive, resilient and sustainable. We apply sustainable design expertise to ongoing projects and our team was recognised with a Merit prize in the Advancing Net Zero Ideas Competition organised by Hong Kong Green Building Council. Our continuous innovation and research on low-carbon, biophilic cities and architecture not only align closely with global trends, but also enhance our competitiveness in a dramatically changing industry.

The Group continues to advance the growth of data-driven intelligent cities from design to operations. Our growing digitalisation business has unlocked unprecedented opportunities for our comprehensive architectural capabilities, strengthening our position as one of the region's leading interdisciplinary urban solutions providers. On the level of daily operations, we are steadily on track towards a fully digitalised, BIM-enabled workflow from planning and design to construction and operations.

In Middle East and North Africa region, the Group made headways in bolstering our presence by securing large-scale public projects in principal cities with consistent progress in existing projects. We remained a well-trusted design and planning partner for governments and major developers while new opportunities are coming on the way.

Driving smart, sustainable urban development in GBA

During the year, the Group saw its influence significantly expanding in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA"), a region of strategic importance in Mainland China where rapid, large-scale urbanisation has led to a soaring demand for high-quality infrastructure. We continued to respond to the wealth of opportunities with key commissions that reshaped prime areas such as the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone. Our Shenzhen office also moved into Qianhai in response to steady business growth, ensuring that we stay at the forefront of change and innovations.

We celebrated the groundbreaking of the C Cheng Future Urban Solutions Headquarters in the Design Capital of Guangzhou, slated to be the tallest landmark in that area. This forthcoming new space in the provincial capital reinforces our long-term focus in the GBA and our determination to grow with it. At the same time, our major subsidiary LWK + PARTNERS became the first Hong Kong– or Macao-based architectural design practice to set up premises in the Design Capital of Guangzhou, lending extensive global design experience to the smart development of the region.

C-Bay Smart Cities Limited, our partnership with leading urban infrastructure design and engineering firm BMEDI, provides future-proof, scalable smart city solutions and critical consultation services to fast-growing cities to help municipalities make better decisions in facing contemporary challenges through efficient management of big data. Its emerging success and prominence in the GBA have given the Group unparalleled advantages as one of the area's chief providers of innovative urban solutions.

Digital Transformation in the Architecture, Engineering & Construction ("AEC") Industry

The Government of the Hong Kong Special Administrative Region ("HKSAR") has taken various measures to enhance the requirements for digital transformation in recent years. In 2021, the Development Bureau developed a BIM road map for enhancement of BIM uses from fundamental BIM uses in project management at design and construction stages to more sophisticated BIM uses on digital fabrication asset management, smart city planning and adopting BIM for e-tendering so as to apply BIM to the whole project life cycle and smart city development.

The Group made significant progress as a market pioneer of digital transformation. As lockdowns and travel restrictions related to COVID-19 posed huge challenges to project management, isBIM responded by developing Jarvis DT – a Digital Twin SaaS Solution for built world. Jarvis DT is a centralised data management solution for building and infrastructure. Jarvis DT provides a single interface allowing actionable insights for all asset data, covered multiple business operations and project stages. Over time, Jarvis DT can be used to reduce capital and operating expenses, increase or protect revenue and better manage risk and compliance.

Jarvis DT uses static, historic and live operating data to create actionable insights that not only provide efficiencies but transforms the way in which occupants and users engage with the assets. Jarvis DT also allows users to prepare their data for open protocol communication and connectivity and enable users to make proactive, data-led decisions in real time, to grow profits, reduce expenses and better manage risk.

The launch of Jarvis DT was a success as it was already adopted by a number of developers and projects in GBA. In December 2021, Jarvis Digital Twin SaaS Solution won the Silver Award in the "2nd Greater Bay Area 5G Application and Innovation Challenge".

Marks of Distinction

During the year, the Group took home more than 130 international and local awards for outstanding corporate performance, design excellence and exceptional capabilities demonstrated by individual members. We continued to rank among the world's top 100 architecture firms, standing 32nd globally according to the eminent World Architecture 100 2022 report, which also placed us 4th in the worldwide retail market, 8th in mixed-use and 10th in residential. We remained one of Hong Kong's Top 10 Architects in BCI Asia Awards 2021 for the 10th time and was recognised the Best Luxury Architect Studio in Dubai, United Arab Emirates in Luxury Lifestyle Awards 2021. At the same time, we were again listed a top 100 cultural enterprise in Shenzhen.

LWK + PARTNERS was a winner of The 15th International Design Awards 2021, 2021 Architecture MasterPrize, The Global RLI Awards 2021, German Design Awards 2021, ICONIC AWARDS 2021, Asia Hospitality and Retail Design Awards 2021, Asia Pacific Property Awards 2021-22, Architizer A+ Awards 2021, MUSE Design Awards 2021, Luxury Lifestyle Awards 2021 and Architecture Leaders Awards 2021. We also reached the finals in the extremely distinguished MIPIM Awards 2021 and World Architecture Festival 2021.

The Group is proud to remain a market leader in the People's Republic of China ("PRC"), entitled Top 1 Architectural Design Firm in the 16th Kinpan Awards 2021 and Architectural Design (Top 1) in 2021 Kinpan China Real Estate Product Powers. Our projects also earned well-deserved plaudits in the 2021 World Architecture Festival China Design Awards, HKIUD Urban Design Awards 2021, A&D Awards 2021, The 7th CREDAWARD 2020-2021, Green Building Award 2021, GBE Real Estate Design Award 2021, GBE HOPSCA Awards 2021, GBE Office Building Award 2021, 2021 LEED Homes Awards, 2021 Pro+ Award, ELA International Landscape Awards 2021 and three different engineering exploration and design awards given by professional bodies in Guangdong, Shenzhen and Chongqing.

It is worth noting that six of our architects got selected as 40 under 40 in 2021, one of Hong Kong's most prestigious titles given to architects and designers under 40 years old annually, while one of our senior members in Mainland China was awarded 2020-2021 Outstanding Architect. Three members of our Dubai studio have also appeared on powerlists recognising the most influential figures in the industry, published by various media.

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 Mainland China.

During the year, our comprehensive architectural business contributed HK$735,177,000 in segment revenue, representing an increase of 14.5%. We secured 306 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK$915,971,000, as compared with HK$852,081,000 in 2020, representing an increase of 7.5%. As at 31 December 2021, the Group's segment had remaining contract sums of approximately HK$1,638,905,000, increased by 3.4% as compared with HK$1,584,628,000 in 2020. As our main stream of practice, our traditional sector in architecture contributed approximately 87% 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, IT platform integration and BIM professional training services. The project nature of isBIM covers smart cities, infrastructure projects, transit projects and large-scale property development. The cloud-based platform and its business nature leading our BIM sector resilient to the pandemic. There was a continuous growth in revenue and staggering increment in new contracts value and remaining contract fee on hand.

During the year, the segment revenue of isBIM amounted to HK$136,094,000 when compared to segment revenue of HK$83,456,000 in 2020, represented an increase of 63.1%. isBIM successfully secured 193 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK$161,475,000, representing an increase of 22.7% when compared to HK$131,576,000 of last year. Remaining contract sum as at 31 December 2021 was approximately HK$184,127,000, increased by 23.8% as compared with HK$148,776,000 in 2020.

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 "JARVIS" in 2019 and integrated with Facility Management and Asset Management in 2021. Clients include top-ten developers in the PRC and we expect to see incremental growth for JARVIS platform business in the coming future, 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

During the year, the revenue of the Group was HK$861,990,000, compared with that of HK$717,172,000 in 2020, representing an increase of 20.2%. The outbreak of the pandemic in early 2020 led to extraordinary disruptions to the business activities of the Group and adversely affected the projects progress. In 2021, the Group endeavored to secure new contracts and completion of projects in progress.

Cost of services

Cost of services for the year amounted to HK$699,260,000, when compared with that of HK$583,825,000 in 2020, representing an increase of 19.8%. Increase in current year was mainly represented by the expansion of the professional team in order to serve its enlarged contracts on hand.

Gross profit and gross profit margin

Gross profit for the year amounted to HK$162,730,000, increased by 22.0% when compared with 2020. Gross profit margin of the Group slightly increased from 18.6% to 18.9% in current year.

Administrative expenses

Administrative expenses for the year amounted to HK$154,278,000, comparing with the corresponding period of HK$137,359,000, representing an increase of 12.3%. The increase was mainly due to the increase in staff cost and headcount for the administrative support as well as additional share option expenses recognised due to acceleration of vesting for certain cancelled share option in February 2021, amounting to HK$6,179,000.

Profit for the year

Profit for the year of 2021 was HK$4,505,000 which included an one-off additional share option expenses recognised due to acceleration of vesting for certain cancelled share options. When excluding such accounting related adjustment, profit of the Group for the year was HK$10,684,000 (2020: HK$14,243,000).

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Current assets	**728,530**	703,929
Current liabilities	**305,546**	311,724
Current ratio	**2.38**	2.26

The current ratio of the Group at 31 December 2021 was 2.38 times as compared to that of 2.26 times at 31 December 2020. Increase in current ratio in current year was mainly resulted from the increase in contract assets due to the enlarged contract work in progress during the year.

As at 31 December 2021, the Group had total bank balances and cash of HK$198,128,000 (2020: HK$228,412,000). The unutilised banks' facility was HK$58,000,000 (2020: HK$73,000,000) as at 31 December 2021. The Group is having sufficient funding for future expansion and merger and acquisition plans.

As at 31 December 2021, the gearing ratio of the Group was 14.6% (represented by unsecured bank borrowings and other interest-bearing borrowings divided by total equity) (as at 31 December 2020: 12.3%).

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

Resilience will be a pervasive theme in the year 2022 as the COVID-19 pandemic continues to throw uncertainties on global markets. The Group will keep relying on full-spectrum capabilities to deliver integrated and eco-friendly built environment solutions in China, Southeast Asia and MENA. We are confident that our practical work and professionalism are helping diverse fields navigate heightening challenges in global cities today, which will see their lasting impact continue to unfold in the coming years.

Our research unit has maintained strong ties with academic institutions to fortify its work on carbon-neutral design and on improving the city living experience. It is extending its partnership with Shenzhen University with a series of new upcoming collaboration to promote knowledge sharing across sectors. At the same time, the Group works with its worldwide partner network serving as source of insight for the industry to encourage interactive knowledge transfer across the supply chain.

In the GBA, we expect to take up an increasingly major role in leading its smart and sustainable development, especially when it comes to transit-oriented developments in high-density cities. As our digitalisation business continues to mature, we have seen synergy escalating between our different businesses. For example, we will scale up the incorporation of artificial intelligence and Internet of Things (IoT) in architectural design to optimise energy consumption and cut down carbon emissions while elevating the human experience.

Going forward, the Group will be on constant lookout for opportunities for growth and stay relevant to the latest trends while cementing our leading position in the industry, especially in the GBA, to maximise benefits for our shareholders.

USE OF PROCEEDS AND CHANGE IN 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 Beijing General Municipal Engineering Design and Research Institute Co., Ltd. (the "Subscription") were approximately HK$145.8 million.

During the year ended 31 December 2021, the net proceeds from the Subscription had been applied and on 31 March 2022, the Board has resolved to change in use of the unutilised net proceeds as follows:

	Planned use of net proceeds HK$ million	**Actual use of net proceeds up to 31 December 2021 HK$ million**	**Unutilised (over-unutilised) use of net proceeds up to 31 December 2021 HK$ million**	**Reallocation of the unutilised net proceeds HK$ million (Note a)**
For potential merger and acquisition of targets in the similar business of the Company for vertical integration strategies	126.8	**42.5**	**84.3**	**–**
To expand the offices of the Group in order to maximise the benefits from the established and expanding client network	13.0	**13.0**	**–**	**–**
To enhance information technology infrastructure and working capital	6.0	**6.0**	**–**	**54.3**
For potential investment opportunities and establishment of business including but not limited to Smart City business	–	**–**	**–**	**30.0**
	145.8	**61.5**	**84.3**	**84.3**

Note:

(a) It is expected that the unutilised net proceeds to be fully utilised to be extended till the end of 2023 in view of the current market circumstances and is subject to change depending on the market conditions and developments at the relevant times.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Board is of the view that the use of proceeds should be appropriately adjusted to maintain maximum flexibility for better accommodation to the changing market conditions and industry environment. Accordingly, based on the interests of the Company and its shareholders as a whole and in light of market conditions and the Company's business needs, the Company, determined to reallocate the balance of the proceeds of HK$84.3 million for potential merger and acquisition for vertical integration strategies to (i) HK$30.0 million for potential investment opportunities and establishment of business including but not limited to Smart City business and (ii) enhance information technology infrastructure enhancement and general working capital for ordinary operation of the Group with HK$54.3 million.

For potential investment opportunities and establishment of business including but not limited to Smart City business

The Company has been actively exploring various strategic acquisition opportunities since April 2017, but has not found suitable investment opportunities, other than isBIM Limited in late 2017, and Mettle Capital Limited and Accentrix Company Limited in 2020. The Group continues exploring different investment opportunities bringing values to the Group, but not only by merger and acquisition in the vertical integration strategies. The governments in Mainland China and Hong Kong published Smart City blueprint and policies and promoted Smart City development in recent years and as a comprehensive architectural and building information modelling services provider, while no further suitable targets for merger and acquisition at this moment, the Group planned to develop by establishment of vertical integration business, including Smart City business, which is in line with the development of ordinary business of the Group.

For information technology infrastructure enhancement and general working capital

In view of the latest development of property development market in Mainland China and overall economic climate, the Board has resolved to reallocate part of the unutilised net proceeds for general working capital to allow the Group to deploy its financial resources in a more flexible, beneficial and effective way. The reallocation will allow the Group to meet its general operational and business needs and provide more resources to cope with the economic uncertainties in the future.

Save for the aforesaid changes, there is no other changes in the use of the net proceeds. The Board considers that the change is in the best interest of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group. The Board will continuously assess the plans for the use of unutilised net proceeds and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance for 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 Mainland China 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 Mainland China. 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, Mainland China 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 clients who may suffer a loss due to the negligence of our Group in providing such service, they 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. Our strategy has always been to empower staff by providing them the right information at the right time and right place. Hence, we have been investing into IT solutions and infrastructures that help them to work efficiently no matter they are at office or not. This proved to be very effective especially when COVID-19 started to unfold back in 2020 and during 2021 where our staff started to be working from home for some time.

On the other hand, the digital world 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 2021. 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 2021, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENT

During the year ended 31 December 2021, the Group did not have any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, during the year ended 31 December 2021, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2021, 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 final dividend for the year ended 31 December 2021 (2020: Nil).

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2021 (2020: Nil).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group provides guarantees amounted to HK$4,136,000 (2020: HK$4,064,000) to secure services performance bonds issued by a bank on behalf of a subsidiary's performance obligation on certain projects.

COMMITMENTS

As at 31 December 2021 and 2020, the Group has capital commitment in respect of investment in a joint venture, C-Bay Smart Cities Limited of HK$10,000,000 which has been contracted but not provided for in the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed around 1,450 (2020: around 1,300) full-time 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 on 5 December 2013 (the "Share Option Scheme").

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Green Shore Residence Phase II, Guangzhou, China

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liang Ronald（梁鵬程）, aged 72, was appointed as 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 46 years of experience in the architectural service industry with 41 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 Mainland China, Hong Kong, Macau and South East Asia. Mr. Liang is currently a committee member of the Antiquities Advisory Board in Hong Kong.

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 Mainland China 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 59, 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. BMEDI is a subsidiary of BEGCL, and it is the holding company of Beijing Design Group Limited, one of the substantial Shareholders. 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 55, 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 Mainland China and Hong Kong. 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 Mainland China.

With his extensive experience in the industry, Mr. Fu has been serving various government advisory bodies including Town Planning Board, Construction Industry Council, Urban Renewal Fund, China Green Building (Hong Kong) Council, Construction Worker Registration Authority. Mr. Fu was appointed as the Justice of Peace (JP) in July 2016 and awarded the Medal of Honour (MH) by the Government of the HKSAR in October 2020.

Mr. Wang Jun You（王君友）, aged 57, 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 Mainland China, 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 over 35 years of experience in the architectural service industry in Mainland China. He has obtained a class 1 registered architect in Mainland China since 2001. Prior to joining the Group, Mr. Wang has gained managerial experience in architectural companies in Mainland China. He served as an expert member of Urban Planning & Natural Resources Department in Shenzhen (深圳市規劃和自然資源局建築設計審查專家庫專家成員) since 2015 and experienced expert member of Ministry of Housing and Urban-Rural Development in Shenzhen (深圳市住房和建設局建設工程評標專家庫資深專家成員) since 2019. Mr. Wang is a director of a significant subsidiary established in Mainland China. 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 58, 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 53, 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 and Shanghai. 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 26 years of experience in the architectural service industry in Mainland China and Hong Kong. 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 62, 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 Chartered Accountants in Australia and New Zealand 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), Tibet Water Resources Ltd. (stock code: 1115) since 28 September 2021 and China New Town Development Company Limited (stock code: 1278) since 30 December 2021, and is a non-executive director of SY Holdings Group Limited (formerly known as Sheng Ye Capital Limited) (stock code: 6069) since 10 December 2021. 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 72, 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 Government of the HKSAR. He joined the Government of the HKSAR 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 Government of the HKSAR in 2009 and was previously an official Justice of the Peace.

Ms. Su Ling（蘇玲）, aged 52, 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 Mainland China. She is well-experienced in capital operation and financial consulting.

SENIOR MANAGEMENT

Mr. Lo Kin Nang（盧建能）, aged 52, is the director of architecture. He is responsible for architectural projects and overseeing the operations in Hong Kong and Greater Bay Area Studio in Mainland China. 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 24 years of experience in the architectural service industry by being involved in projects in Mainland China and Hong Kong. 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. He is currently a Chartered Membership of the Royal Institute of British Architects, a specialist of BIM Pro (HK) BIM Pro of HKIA), a vice-chairperson of the Council of Guangzhou Engineering Exploration and Design Association (廣州市工程勘察設計行業協會副會長), co-chairman of Green Building Association of the Council of Guangzhou Engineering Exploration and Design Association (廣州市工程勘察設計行業協會綠色建築分會聯席會長) and a honorary member of the Council of Guangdong Engineering Exploration and Design Association (廣東省工程勘察設計行業協會榮譽理事). He is also a class 1 registered architect in Mainland China.

Mr. Ng Kwok Fai（吳國輝）, aged 51, 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 26 years of experience in the architectural service industry in Hong Kong. He was involved in the Group's projects in Mainland China and Hong Kong. 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 46, 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 between 2011 to 2015. He has held professional membership in the HKIA since 2003.

Ms. Yu Wing Sze（余詠詩）, aged 45, 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 57, is the financial controller of a significant subsidiary established in Mainland China. She is responsible for the finance, administration and human resources management for the operations in Mainland China. 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 29 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 57, is the operations controller in Mainland China. She is responsible for the operations and contract management for the projects in Mainland China. 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 23 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

We have pleasure in presenting the Environment, Social and Governance ("ESG") Report (the "Report") of C Cheng Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the 2021 financial year. The Report presents our approach to meeting ESG challenges, key performance from 1 January 2021 to 31 December 2021 (the "Reporting Period") unless otherwise specified. Both qualitative and quantitive data have been collected for the Report to demonstrate the Group's commitment on sustainability. In addition, our plans and targets for the future will be highlighted.

This ESG report was prepared in accordance with mandatory disclosure requirements and the "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). There were no changes to the methods or KPIs used, or any other relevant factors affecting a meaning comparison with previous period.

OUR BUSINESS

The Group's principal business is basically to provide comprehensive architectural services and building information modelling ("BIM") services in Hong Kong and the Mainland China, its key disciplines include architecture, master planning, landscape design, interior design and heritage conservation as well as BIM. Those disciplines of the Group 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 embraces a vision providing state-of-the-art design solutions 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 strive to achieve sustainable development for the future by stringent adherence to ESG principles in its business operation.

The architectural services business of the Group namely LWK + PARTNERS has achieved extensive business success in the Greater China region with offices in Hong Kong, Shenzhen, Beijing, Guangzhou, Shenyang, Shanghai, Chongqing and Macau, and has expanded to cover the Middle East and North Africa ("MENA") and South East Asian region with Dubai, Riyadh, Singapore and Manila offices. Enjoying widespread market recognition, it continues to be one of the world's 100 architecture firms in the world for the fourth consecutive year since 2018 in the authoritative World Architecture (WA) 100. In addition, it has been named one of the Top 10 Architects Hong Kong in BCI Asia Awards 2021 again – the 10th time it receives such honour, and a remarkable recognition for our outstanding achievements in the industry. It continues to grow impact worldwide, navigating change and challenges in the new normal with unwavering faith in the power of architecture and design.

OUR APPROACH

Stakeholders increasingly expect organizations 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. Thus, the direction of the Group's ESG practices is governed by the board of directors of the Company (the "Board"), ensuring that the ESG strategy reflects the Group's core values through top-down approach.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

Being as a responsible business enterprise, it is essential for the Group to understand its stakeholders' expectation and concerns with regards to its business development strategies, risk management measures and internal control systems. To foster the collaborative relationship with its stakeholder, the Group continuously interacts with key stakeholders group and integrates their sustainability considerations into its operations to create shared value for our stakeholders. In this connection, the Group actively promotes stakeholder relationships. The Group are being awarded ESG Care Label 2021 in recognition of our excellent sustainability performance. The ESG Care Label 2021 presented by UNESCO HK Association Glocal Peace Centre and other renowned organisations in ESG discipline. It serves as a vote of confidence from the investment community regarding the Group's investor relations effort.

Key stakeholders of the Group include shareholders, employees, customers, suppliers and business partners, government and regulatory authorities and communities.

Based on the stakeholders' feedback, the material issues were identified as follows. The Group's performance regarding these issues are discussed in the Report.

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 construction BIM adoption
	A4 Climate Change	Efficient use of natural resources
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	Complied national laws and regulations and respect local culture
	B5 Supply chain management	Internal control system with fair and unbiased tender process
	B6 Product responsibility	ISO 9001 Quality Management System
	B7 Anti-corruption	Anti-corruption policy and the relevant promotion and training
	B8 Community investment	Community programme participation and donation

A. ENVIRONMENT PERFORMANCE

Environment Policy and Performance

The Group recognises that global warming and climate change are sustainability challenges of significance in every part of the world. With the aim of overcome these raising challenges, the Group is committed to sustainable development. We actively pay heavy efforts in bringing about resilience, resources efficiency and wellbeing to the heart of its projects, especially creating a low-carbon community while driving the advancement of BIM and modular Integrated Construction (MiC) towards a greener building industry to our community and our planet. The approach includes to minimize 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 since 2018 which accredited by Hong Kong Quality Assurance Agency. In addition, 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 insignificant
A1.2	Greenhouse gas emissions	Page 35
A1.3	Hazardous waste	Not applicable while insignificant
A1.4	Non-hazardous waste	Not applicable while insignificant
A1.5	Emissions mitigation	Page 35
A1.6	Hazardous & non-hazardous wastes reduction	Not applicable while insignificant
A2	Use of Resources	
A2.1	Energy consumption	Page 37
A2.2	Water consumption	Not applicable while insignificant
A2.3	Energy use efficiency	Page 37
A2.4	Water use efficiency	Not applicable while insignificant
A2.5	Packaging material	Not applicable while insignificant
A3	Environmental & Natural Resources	
A3.1	Impacts of activities on environment & natural resources	Page 37
A4	Climate Change	
A4.1	Significant climate-related issues	Page 36

Emissions

Reducing energy consumption and carbon emissions are critical success factors of sustainable development. The Group aims to reduce energy consumption and carbon emissions by implementing management systems for identifying relevant requirements and for monitoring performance of related activities.

The Group complies and implements the latest applicable environmental laws, regulations, codes of practice, and other requirements which relate to the environmental aspects during the operation. In consideration of our non-industrial business nature, we have insignificant effect on the environment and natural resources. We do not produce any hazardous production nor produce any hazardous waste as well as no usage of packaging material for finished products during the operations. Thus KPIs A1.1 (types of emissions and respective emissions data), A1.3 and A1.4 (total hazardous waste and non-hazardous waste produced) and A1.6 (description of how hazardous and non-hazardous waste are handled, reduction initiatives and result achieved) are insignificant to the Group's operation and have not been disclosed in this Report.

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

The major sources of GHG emissions of the Group are energy indirect emissions (Scope 2) generated from electricity consumption for our offices in Hong Kong, Mainland China and MENA which was 1,372,782 kWH (2020: 569,929 KWh for Hong Kong) supplied by the relevant companies.

Office	Electricity Consumption (kWH)
Hong Kong	469,162
Mainland China	895,509
MENA	8,111

The CO_2 equivalent emission was 723,393 kg which covered total floor area of 17,782 square-meter office of Hong Kong, Mainland China and MENA (2020: 359,055 kg which covered total floor area of 4,639 square-meter office in Hong Kong). To push forward the emission mitigation KPI A1.5, the Group actively promotes and adopts energy conversation measures to prevent and reduce GHG emission in workplaces.

Non-hazardous waste category	Quantity	Unit
CO_2 equivalent emissions	723,393	kg
Intensity – Unit per office space	40.68	M^2

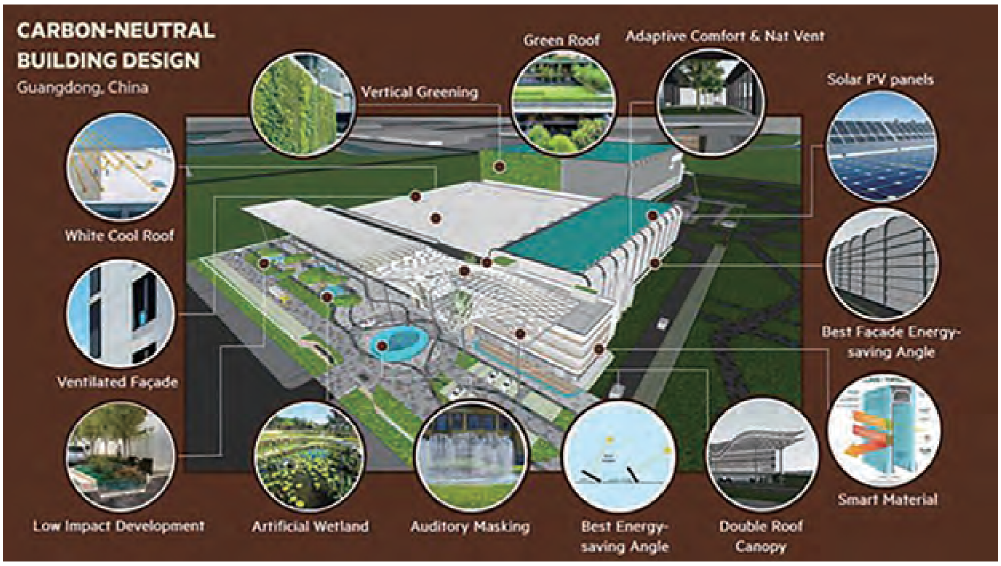
The Group has also participated the Earth Hour 2021 which was held on 27 March 2021 by switch off the lightings for an hour during the night.

Business air travel is one of the indirect GHG emission sources. However, business air travel of the Group is insignificant in view of pandemic and travel restriction during the Reporting Period.

Global warming and climate change are sustainability challenges of significance in every part of the world. The Group however views these challenges as business opportunity by allocating a robust resource for green construction practice.

The Group is fully committed to realising carbon neutrality through collaborations with clients and business partners. Our Design Research Director, Professor Steven Lau has contributed his extensive research result and shared his practical experience on our Carbon-Neutral Building Design project in Guangdong, Mainland China. Professor Lau said that "We believe that zero energy buildings are a key means of achieving China's carbon goals and therefore a future market trend. They require a technical approach that features 'Passive first, active enhancement, maximize renewable energy use, and human-oriented post-occupancy evaluation'."

From insulation materials and ventilated facades in the building envelope to canopy design, photovoltaic integration and landscape features, this project totally shows how passive design and energy-saving innovations facilities resources efficiency while optimizing functionality and use experience. This is one of remarkable projects in relation to carbon neutrality.



Use of Resources

The Group has made great efforts in controlling its consumption of resources. The major energy consumption of the Group is the electricity consumption in its workplace. The total electricity consumption was 1,372,782 kWh for Hong Kong, Mainland China and MENA (2020: 569,929 kWh for Hong Kong), with an energy intensity of 77.20 kWh/m^2 for Hong Kong, Mainland China and MENA (2020: 122.85 kWh/m^2 for Hong Kong). In order to reduce electricity consumption in workplace, the Group has implementing energy conservation measures including adopting energy-efficient equipment, installing energy saving bulbs/ LED lighting, switch off lights and air-conditioning in respective zones after office hours, etc.

Energy Type	Quantity	Unit	Intensity – Unit per employee
Electricity consumption	1,372,782	kWh	970.85
Energy intensity	77.20	Kwh/m^2	0.055

The water consumption in total and intensity (KPI A2.2) and water efficiency initiatives and result achieve (KPI A2.4) of the Group are insignificant 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 workplace. Although it is a minimal, the Group still actively promotes water conversation habits in using water consciously. During the Reporting Period, 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

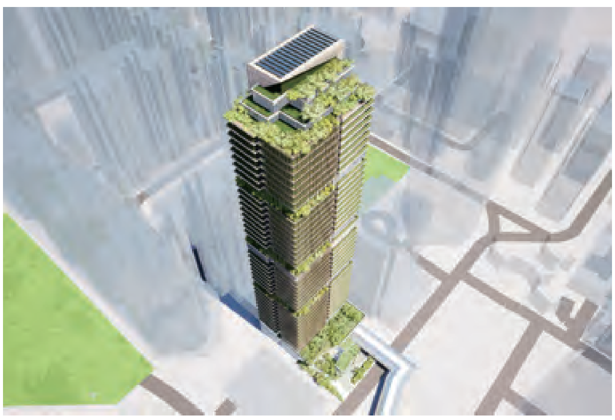
The Group's operation does not involve any production-related pollution with respect to air, water and land, which are regulated under the related environmental laws and regulations. All main operations of the Group are indoor operations, where direct impact arising from the activities of the operation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

One of the subsidiary of the Group, isBIM Limited is certified by the international ISO19650 and is successfully received the International Standard Organisation (ISO) 19650 Kitemark. This makes us one of the few companies in Hong Kong and Asia to be so recognised for our wider BIM services and Digital Transformation. This certification proved the achievement in BIM for design, construction and commissioning in accordance with ISO 19650-1:2018 & ISO 19650-2:2018 following the assessment of projects which includes client satisfaction and collaborative engagement with the delivery team. In addition to our recent certification of 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 innovation and sustainability.

The Group is committed to creating a low-carbon community through green construction practices towards sustainability.

The Group endeavors on green design could be well demonstrated by the team led by Design Director Bosco Kwan and Director Truman Chan recently won a Merit prize for Existing Building category in the Advancing Net Zero Ideas Competition, fighting off many international industry stakeholders with an innovative retrofitting proposal inspiring zero carbon and ultra-energy efficient office developments of the future. This competition is organised by Hong Kong Green Building Council by inviting proposals for future-ready sustainable building design for achieving a net zero emission economy by 2050 while the award was presented by Hong Kong SAR Secretary for the Environment Wong Kam-sing, GBS, JP in the ceremony on 26 November 2021.

In partnership with other business partners, the team proposed a retrofitting scheme to turn Oxford House, an existing office building in eastern Hong Kong Island, into an energy-efficient urban forest paradise that promotes mental health and significantly cuts down on energy consumption through active and passive design strategies, bringing the vision of net zero closer to reality.



To minimise the use of natural resources, this report is printed in minimum quantity and available on the website of the Company (https://www.cchengholdings.com) and Hong Kong Exchanges and Clearing Limited ("HKEX") news website (https://www.hkexnews.hk).

The Group ensures that waste produced by our business activities is properly disposed in accordance with laws and regulations relating to environmental protection. Furthermore, the Group cultivates employees in their waste behaviours and encourages recycling practices in the workplace. The Group has also supported the programme of "Red Festive Paper Recycling Programme" after Chinese New Year 2021 by collecting Chinese New Year related paper such as red packets and Fai Chun inside the workplace to build a sustainable community in addition to daily recycle programmes.

In conclusion, the Group is committed embedding sustainability into the Group's business strategies and operations in creating long-term value to the Group and the community.

B. SOCIAL PERFORMANCE

KPI of ESG Reporting Guide		Corresponding Page
B.	*Social Performance*	
B1	Employment policies & standard	
B1.1	Total workforce	Page 41
B1.2	Employee turnover rate	Page 41
B2	Health and Safety policies & standard	No work-related fatalities in the past 3 years
B2.1	Number and rate of work-related fatalities	No lost day due to work injury
B2.2	Lost days due to work injury	Page 43
B2.3	Occupational health & safety measures	Page 43
B3	Development and Training	Page 44
B3.1	Percentage of employees trained	Page 44
B3.2	Average training hours	Page 44
B4	Labour Standards	
B4.1	Avoid child & forced labour	No child & forced labour employment
B4.2	Steps taken to eliminate child & forced labour	Page 45
B5	Supply Chain Management	
B5.1	Number of suppliers by geographical region	Page 45
B5.2	Suppliers engagement	Page 45
B5.3	Practice used to identify environmental social risks	Page 45
B5.4	Practice used to promote environmentally preferable products and services	Page 45
B6	Product Responsibility	
B6.1	Product recalls for safety & health reasons	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 45
B6.5	Data Protection and privacy policies	Page 46
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 46
B7.3	Anti-corruption training	Page 46
B8	Community Investment	
B8.1	Focus areas of contribution	Page 46-49
B8.2	Resources contributed on focus area	Page 46-49

Employment and Labour Practices

Through the years of experience in the industry, the Group understood that human resources are the valuable assets as they pay a vital role in connecting to customers by providing a comprehensive service portfolio including architecture, masterplanning, landscape design, interior design, heritage conservation, brand experience and lighting design as well as BIM. Thus, the Group understands that a successful talent management is a critical success factor to support Group's business expansion strategy. Building an agile, inclusive and sustainable workforce is crucial.

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 2021, the Group has employed around 1,450 full-time staff (2020: around 1,300) in its office in its offices in Hong Kong, Greater China, Southeast Asia and MENA.

The distribution of the Group's workforce (excluding placement) is summarized as below:

	Regional Distribution	
	2021	2020
Hong Kong	**34%**	34%
Mainland China	**62%**	61%
Southeast Asia	**3%**	4%
MENA	**1%**	1%
Total	**100%**	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 is dedicated to providing equal opportunity in all aspects, from recruitment process to staff promotion, to ensure the workplace is free from discrimination. It aims to attract diversified talents globally regardless of their race, colour, age, gender, ethnicity and religion. Moreover, the Group respects the local culture of workforce in different region. A multi-racial and cultural diversity workforce is consisted in our MENA studio. This experienced and energetic team drive our business expansion in MENA region. We not only offer an employment with attractive remuneration packages but also offer a special working arrangement 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 in ensuring employees receive fair and competitive remuneration package in accordance with their experience, qualifications, performance. Some females are holding a senior management position in the Group and responsible for Groups' strategic development.

As at 31 December 2021, the annual turnover rate of the Group as below. Staff turnover rate among managerial positions is relatively low, reflecting a high level of employee satisfaction and engagement with the Group.

Position Grade	**Male**	**Female**	**Sub-total**
2021			
Senior Management	1%	0%	1%
Middle Management	4%	1%	5%
General Employees	65%	29%	94%
Total	70%	30%	100%

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)

Position Grade	Age: 30 & Below	31-40	41-50	51-60	60 & above	Sub-total
2021						
Senior Management	**0%**	**1%**	**2%**	**2%**	**0%**	**5%**
Middle Management	**1%**	**6%**	**4%**	**1%**	**0%**	**12%**
General Employees	**48%**	**26%**	**6%**	**2%**	**1%**	**83%**
Total	**49%**	**33%**	**12%**	**5%**	**1%**	**100%**
2020						
Senior Management	0%	1%	3%	1%	0%	5%
Middle Management	1%	8%	4%	1%	0%	14%
General Employees	49%	24%	5%	2%	1%	81%
Total	50%	33%	12%	4%	1%	100%

Number of Employees (divided by position grade and education)

Position Grade	Education: Master or above	Bachelor	College	Technical Institute	Secondary School or below	Sub-total
2021						
Senior Management	**2%**	**3%**	**0%**	**0%**	**0%**	**5%**
Middle Management	**6%**	**5%**	**1%**	**0%**	**0%**	**12%**
General Employees	**9%**	**45%**	**27%**	**2%**	**0%**	**83%**
Total	**17%**	**53%**	**28%**	**2%**	**0%**	**100%**
2020						
Senior Management	2%	3%	0%	0%	0%	5%
Middle Management	6%	6%	1%	0%	0%	13%
General Employees	11%	45%	24%	1%	1%	82%
Total	19%	54%	25%	1%	1%	100%

Number of Employees (divided by position grade and gender)

Position Grade	Male	Female	Sub-total
2021			
Senior Management	**4%**	**1%**	**5%**
Middle Management	**9%**	**3%**	**12%**
General Employees	**56%**	**27%**	**83%**
Total	**69%**	**31%**	**100%**
2020			
Senior Management	4%	1%	5%
Middle Management	10%	4%	14%
General Employees	56%	25%	81%
Total	70%	30%	100%

Health and Safety

The Group understood that its success and competitiveness are highly dependent on its workforce. Thus, it always adheres to the "People-oriented" concept to provide a safe, effective and congenial work environment for the staff with competitive remuneration package in addition to stringently compliance with occupational health and safety regulations.

Improvement of workplace quality is one of the Group's utmost priority, workplace quality has been continually improved since 2018. The Group has not only relocated Shenzhen and Shanghai studio to a contemporary office building with convenient location but rent an additional office space to cater the Group's recent expansion. All of Group's office adopts contemporary office style and equipped with high-end facilities. This provides a congenial working environment to our staff.

Employee fringe benefit increases job satisfaction, the Group offers a wide range of fringe benefits in addition to the statutory requirement including medical insurance, personal accident insurance, allowance for training and transportation and additional annual leave as well as other pay leave for sickness, examination, marriage and compassion were provided to employees in order to foster healthy and productive workforce. In addition, the Group was awarded a Good MPF Employer in 4th years to recognize its effort in providing a good retirement scheme.

The Group also promotes health and work-life balance inside the workplace. A Green Monday wellness programme had been introduced in 2021. A variety of nutritious fruit freshly will be shared among staff every week. Special event of Food & Art Tasting Session and Ice-cream party were held in July 2021 and August 2021 respectively. We invited Chef Ricky Cheung presenting his culinary art to our staff with tasting of fine food and wine at the same time. Moreover, all staff enjoyed a sweetness ice-cream during the hottest day.

Furthermore, the Group treasures loyalty staff by presenting a Long Service Award to the staff who serviced the Group over 10 years, 15 years and 20 years each year. In July 2021, we also had a celebration dinner to celebrate our Chief Executive Officer, Ivan Fu who joined us for 30 years since his graduation.

In view of the severity of pandemic in Hong Kong during the reporting period, the Group took further measures and arrangements to ensure the health and safety of its staff and the community. The measures and arrangements including adoption of work from home, shift rotation and flexible working hours to suit different epidemic situation and staff needs. The Group also arranged its staff to conduct business meeting online to prevent the spreading of the pandemic. Furthermore, the Group provides personal hygiene facilities and increase the cleaning frequency to ensure a safe working environment for its staff.

During the reporting period of 2021, the Group are pleased to maintain zero occurrence of work-related accidents and injuries. Thus no lost days due to work injury.

Development and Training

Excelling in the industry is always challenging as customers needs and technology are ever rapidly changing. The Group values and encourages lifelong learning by bolstering the exchange of professional knowledge and experience among employees from different offices through the LWK Academy continuously. LWK Academy serves as a Group-wide internal platform for professional training and project experience sharing with updates on new technologies and building materials.

During the Reporting Period, the Group's training hours were 4,212 hours in total, with participation of 234 employees from all levels. We conducted numerous physical and online training to our staff across our global office network. Again we ran a Project Review session, our most significant sharing event each year where all project teams gather to showcase their hard work over the year with Chairman Mr. Liang Ronald giving an introduction speech to encourage and recognise all staff for their persistent efforts.

A key training priority is to expand design capabilities to decarbonise our future cities and buildings. We invited specialists from within and outside the Group to share in webinars the latest international trends, policy, industry standards and research insights. We focused on topics like zero energy design, climate-adaptiveness, water and resource management, Internet of Things (IoT) integration and the changes to architecture under China's carbon neutrality goal.

Nurturing of talented young professionals is our belief in staff development. The Group are pleased to announce that six of the 40 recipients of the eminent 40 Under 40 Award 2021 are its staff. This award recognizes their outstanding ability to inspire the architecture and interior design industry with extensive contribution as the leaders of the future.

In support of Construction 2.0 by the Government of HKSAR, the Group sponsored the course fee with paid leave its staff attending BIM training courses in particular of training courses for Certified BIM Coordinator and Certified BIM Manager.

Position Grade	**Senior Management**		**Middle Management**		**General Staff**	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
2021						
Percentage of Employee Trained	**71%**	**10%**	**80%**	**100%**	**42%**	**39%**
Average Training Hours Completed Per Employee	**3**	**4**	**6**	**6**	**2**	**3**
2020						
Percentage of Employee Trained	62%	78%	49%	75%	28%	30%
Average Training Hours Completed Per Employee	2	5	1	2	1	1

As a firm believer in multilateral dialogue and intersectoral collaboration, the Group continues to be an active contributor in global conferences. Our MENA Managing Director Kerem Cengiz and MENA Design Director Kourosh Salehi have been invited to participate in Cityscape Global Intelligence Talk session. This event invited host numerous experts who will discuss the future trends and issues facing the local and global real estate market within an interactive space that encourages delegate participation. Mr. Fu Chin Shing also gave his support to public education on green living as an opening ceremony guest of the Hong Kong Green Building Week 2021.

The Group is also honoured to take part in the award juries of various world-class awards, including the Gulf Capital SME Awards 2021 and BLT Built Design Awards 2021, to recognise distinctive works of design making impactful breakthroughs across the world. The Group continues to lead and enrich industry dialogues by speaking on critical topics like sustainable urbanisation, post-pandemic design, urban renewal, digitalisation and the making of future communities at international conferences, panel discussions and exhibitions. For example, these included HKIA Belt and Road Forum 2021, 10th Anniversary Conference of Hong Kong's Urban Renewal Fund, 2021 Guangdong-Hong Kong-Macao Bay Area Entrepreneurs Summit, GRAPHISOFT Building Together 2021 Digital Event, Iconic Conference 2021 and Cityscape Global Real Estate Conference and Exhibition 2021.

Labour Standards

The Group fully complies with the relevant national laws and regulation in eliminating use of child or forced labour in its operation. Human Resources Department strictly abide by the established procedures from staff recruitment to management to ensure that every employment would all be proper and right. During the reporting period, no labour disputes, litigation and arbitration against the Group.

Supply Chain Management

To ensure the quality of the supplies/services that are used during its operation, the Group engages more than 100 global business partners in majority they located in Hong Kong and the Mainland China. The variety of business partners in different regions could ensure a consistent and sufficient supply. The Group places high importance on the quality of its operations and products. In this connection, the Group selects its business partners in a consciously manner and performs annual assessment in evaluating their overall performance. Furthermore, the Group always adheres international best practices and conducts fair and impartial tender processes in dealings with all business partners. Neither corruption nor bribery is strictly prohibited. This regulates the procurement system and control costs in efficient and effective manner. The Group also expects suppliers to observe the same environmental, social, health and safety and governance considerations in their operation.

Product Responsibility

The Group is committed to providing an innovative and high-quality product and service to upgrade its customers' experience. We strictly comply with all laws and regulations in connection with its daily operation. The Group adopts ISO9001 Quality Management System and ISO14001 Environmental Management System in addition to ISO19650 Building Information Modelling System. During the reporting period, no product recalls for safety and health reasons and no complaints received regarding 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. The Group has registered trademarks in various classes in Hong Kong and Mainland China successfully to protect the Group's interest and brand singularity. In addition, the Group constantly monitor, and renew them prior to their expiration. Within the reporting period, there was no infringement case received by the Group.

Data Protection and Privacy

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

An exponential rise in the use of digitized data has heightened cyber security risk. To achieve proper data protection in digitized world, various cybersecurity protection measures are in place to safeguard the company's information assets against unauthorized access and malicious attacks.

Anti-corruption

The Group believes that integrity is one of the core values towards our continued success, an ethical corporate culture and practices come along with. The Group has established an anti-corruption policy. We regularly review compliance with anti-corruption laws and the Code of Conduct, including a biannual anti-bribery and anti-corruption control assessment that evaluates the effectiveness of controls for managing bribery risks. All employees will be briefed this policy in the staff induction programme and this policy had been stipulated in 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 believes in the power of Corporate Social Responsibility to drive positive change in society. We aspire to promote harmony and empowerment by participating and sponsoring various projects. We also encourage our staff to reach out and care for the community through volunteering.

Caring Company with Lasting Impact

The Group was recognised as a Caring Company by The Hong Kong Council of Social Service for the 11th year in view of our comprehensive ongoing support for the community. As society continues to face myriad challenges, we will keep working towards the health and wellbeing of people and the environment through diverse initiatives and strengthened partnerships.

Opportunities for Young People

The future depends on now. The Group values the next generation and strives to create ample opportunities for their long-term growth and development. In the eighth year of partnership with Project WeCan, our LWK + PARTNERS Hong Kong studio continued to offer virtual job tasting sessions, industry sharing and other opportunities for local secondary school students to gain a better understanding of the architecture industry and how it feels to be an architect. In a series of Career Exploration Days, our architects coached participants to hand make their own architectural models with simple everyday materials and think about the significance of civic architecture. We also guided students through the virtual Young Innovators Bazaar providing suggestions on online marketing and e-commerce strategies.




Our Hong Kong studio gave support to the graduation shows of local architecture students. Its partnership with St. James Settlement on their City Building Project also continued during the year, with student interns at our Hong Kong office getting a glimpse into the real-life work environment to better prepare for the future. Student tours were conducted across our international offices and with different age groups to broaden their horizon into the building industry, showing how architects collaborate to turn concepts into buildings and the use of innovative technologies to achieve best practices.

The Group engaged in a series of industry-university-research collaborations involving Shenzhen University. LWK + PARTNERS Design Research Unit led a master's course on the integration of Internet of Things (IoT) in architectural design to improve senior living experience, while our Shenzhen studio hosted a workshop where designers and students co-create design schemes that facilitate wellbeing, carbon reduction and shared spaces.

Our Dubai team, known for their active contribution in bridging academia and professional practice, joined the school of architecture advisory board for Al Ghurair University to help assess their programme and make sure it is futureproofed for the changing economy and vitality of our industry. The team also took part in final year juries for five universities in the region, in addition to joining three virtual career fairs and several talks to expose students to career opportunities. Across the year, the office welcomed interns to work for periods of 1-3 months, allowing them to gain market insights and valuable skills.

Delivering Warmth and Positivity

Building strong, people-oriented communities has always been a core value of the Group. In 2021, we initiated a donation for Street Sleepers Action Committee (SSAC), which operates an integrated service including emergency shelter and employment support for street sleepers in Hong Kong. Our staff volunteers joined their outing service to distribute meals and daily supplies to homeless people and low-income groups. We also renovated and redesigned their lodgings to provide safe, clean, comfortable temporary accommodation for those who need a place to stay.

During the year, our Hong Kong office contributed to the Construction Industry Lo Pan Rice Campaign again with staff volunteers handing out free meal boxes to sponsored by LWK + PARTNERS, while our Dubai team participated in a food packaging and distribution drive in the spirit of giving during the Holy month of Ramadan.

With the impact of the pandemic still felt across many parts of society, the Group made a donation to the Rainbow Foundation, a charity in Hong Kong serving various underprivileged groups, towards its 'Believe I'm Possible' campaign to deliver mid-term food and learning support, influential programmes and anti-pandemic equipment to families and students in need.

14 staff members took part in the Standard Chartered Hong Kong Marathon 2021, which raised funds to support parasports and anti-cancer programmes. Another group joined the fundraiser Lifewire Run 2021 to support children with rare diseases and help challenge social stigma, while participation in the Construction Industry Virtual Happy Run 2021 raised donations for an industry-wide charity fund and volunteer services respectively. Our staff took part in Sowers Action Challenging 12 Hours, which went virtual in 2021, to fund schooling and education projects for poor rural children. Whilst Hong Kong studio joined Construction Industry Table Tennis Competition 2021 for the first time, Shenzhen studio formed a team with our business partners in the Gobi Trekking Challenge organised by CIFI Group and won championship!

Our Dubai office supported the American University of Sharjah Virtual Alumni and Corporate Sports Challenge as a team of six architects completed in sports activities to raise awareness to the importance of education and provide financial assistance to students on their tuition fees. The team collaborated with Dubai Culture, which oversees the cultural activities for the government, on a series of activities including children workshops to enrich people's participation in arts and culture. It also encouraged the spread and exchange of industry knowledge in the general public by partaking in a series of seminars, panel discussions and national podcasts.

The Dubai office continued to support Al Noor Training Centre for Persons with Disabilities by commissioning them with the production of some of our memorabilia items. The team viewed their facilities and investigated ways to support them. They recently reached out for our help to convert a regular Isolation suite to be modified and made compatible for people of determination according to Dubai design code for people of determination.

CORPORATE GOVERNANCE REPORT

MixC Dongguan Songshan Lake District Mixed Use Development, Dongguan, China

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2021, 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 2021 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 four times a year at approximately quarterly intervals and additional meetings will be convened as and when required. During the year ended 31 December 2021, 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	4/4	2/2
Mr. Liu Gui Sheng	4/4	*0/2
Mr. Fu Chin Shing	4/4	2/2
Mr. Wang Jun You	4/4	*0/2
Mr. Liu Yong	4/4	*0/2
Mr. Ma Kwai Lam Lambert	4/4	2/2
Independent Non-Executive Directors		
Mr. Yu Chi Hang	4/4	2/2
Mr. Lo Wai Hung	4/4	1/2
Ms. Su Ling	4/4	1/2

* The Executive Directors were unable to attend the general meetings of the Company in 2021 because of the COVID-19 that they could not come to Hong Kong.

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. The Board comprised of nine Directors including six executive Directors and three independent non-executive Directors, amongst of them, 1 member is female and 8 are male. The Board shall continue to maintain the gender diversity among the Board members.

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 C.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 AGM. Details of the information of the retiring Directors standing for re-election are set out in the circular accompanying the notice of the AGM.

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 C.1.4 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 2021.

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 the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the 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 A.2.1 and D.3.3 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 2021.

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 2021. 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 E.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 2021 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 B.3.1 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

One meeting was held by the Nomination Committee for the year ended 31 December 2021 and the record of attendance of each member of the Nomination Committee is set out as follows:

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

Investment Committee

The Company has established the Investment Committee on 11 May 2017 with terms of reference adopted on 29 August 2017. The major 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 2021 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 2021, 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. 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, sustainability, 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 management 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 ("SFO") (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 2021 and 2020 respectively are analysed as follows:

Services rendered	Fees paid/payable **2021** **HK$'000**	 2020 HK$'000
Audit services	**1,898**	1,839
Non-audit services	**408**	411
	2,306	2,250

(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 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. Members of the Board and of the various board committees will attend the annual general meeting of the Company and answer questions raised during the meeting. 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 2021, there had been no significant change in the Company's constitutional documents.

Chashan Chunjiang Yuefeng Plaza, Dongguan, China

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2021.

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 2021 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 82 to 163.

The Board has resolved not to recommend the payment of any dividend in respect of the year ended 31 December 2021 (2020: Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 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 and the subsidiaries of the Group are knowledge-based and IT consultancy firms focusing on the design of different types of built environment and customer-centric enterprise solutions. 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 39 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 Mainland China, Hong Kong and MENA. During the year ended 31 December 2021 and up to the date of this annual report, we have complied with all the relevant laws and regulations in Mainland China, 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 2021 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 40 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 and tailor-made solutions 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 YEARS 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 2021 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 85 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$271,678,000 (2020: HK$267,708,000). 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. Liang Ronald, Mr. Wang Jun You and Mr. Yu Chi Hang will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

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 AGM 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 2021, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the shares of the Company:

Name of Shareholder	Name of the company in which interest is held	Capacity	Total number of ordinary shares	Long/short position	Percentage of total issued share capital in the Company
Beijing Enterprises Group Company Limited	The Company	Interest in a controlled corporation (Note 1)	79,473,780	Long	27.57%
Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("BMEDI")	The Company	Interest in a controlled corporation (Note 1)	79,473,780	Long	27.57%
Beijing Design Group Company Limited	The Company	Beneficial owner (Note 1)	79,473,780	Long	27.57%
Rainbow Path International Limited	The Company	Beneficial owner (Note 2)	62,198,000	Long	21.57%

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)	92,670,000	Long	32.14%
Chung Wai Chi, Connie	The Company	Interest of spouse (Note 6)	46,986,000	Long	16.29%
		Beneficial owner	298,000	Long	0.10%
Li Min	The Company	Interest of spouse (Note 7)	23,990,000	Long	8.32%
	The Company	Beneficial owner (Note 8)	1,400,000	Long	0.48%

Notes:

1. Beijing Design Group Company Limited is 100% owned by BMEDI and BMEDI is 100% owned by Beijing Enterprises Group Company Limited.
2. Rainbow Path International Limited and Veteran Ventures Limited are 100% owned by Mr. Liang Ronald.
3. Vivid Colour Limited is 100% owned by Mr. Fu Chin Shing.
4. Jun Ming Investments Limited is 100% owned by Mr. Wang Jun You.
5. Ms. Liang Sharon, being spouse of Mr. Liang Ronald, is deemed to be interested in the 92,670,000 shares 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 46,986,000 shares and share options held by Mr. Fu Chin Shing under the SFO.
7. Ms. Li Min, being spouse of Mr. Wang Jun You, is deemed to be interested in the 23,990,000 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 1,200,000 underlying shares upon exercise of the share options granted under the Share Option Scheme.

Save as disclosed above, as at 31 December 2021, 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 2021, 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	17,000,000 (Note 1)	5.89%
Fu Chin Shing	The Company	Interest in a controlled corporation	25,662,000	8.90%
	The Company	Beneficial interest	8,724,000	3.02%
	The Company	Interest of spouse	298,000	0.10%
	The Company	Beneficial interest	12,600,000 (Note 1)	4.37%
Wang Jun You	The Company	Interest in a controlled corporation	12,940,000	4.48%
	The Company	Beneficial interest	1,450,000	0.50%
	The Company	Beneficial interest	9,600,000 (Note 1)	3.33%
	The Company	Interest of spouse	200,000 (Note 2)	0.06%
	The Company	Interest of spouse	1,200,000 (Note 1)	0.41%
Ma Kwai Lam Lambert	The Company	Beneficial interest	250,000	0.08%
	The Company	Beneficial interest	4,000,000 (Note 1)	1.38%

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 2021, 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 Schemes are set out in Note 30 to the consolidated financial statements.

The Share Option Scheme has 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.

Under the Share Option Scheme, the Board may, at its discretion, offer Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any suppliers, customers, advisers, consultants, business partners, joint venture business partners, invested entities, service providers of any member of the Group who will contribute or have contribute to the Group, share options to subscribe for such member of new Shares as the Board may determine at an exercise price determined in accordance with the terms of the Share Option Scheme.

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

Share Options

Category of grantees	Date of grant	Exercise price per share	Outstanding at beginning of year	Granted during the year	Exercised during the year	Forfeited or cancelled 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
	28/11/2019	HK$1.55	5,000,000	–	–	–	5,000,000
	23/12/2020	HK$0.88	5,000,000 (Note 1)	–	–	–	5,000,000
– Liu Gui Sheng	28/9/2017	HK$2.49	3,500,000	–	–	(3,500,000) (Note 2)	–
	1/11/2018	HK$2.334	3,500,000	–	–	(3,500,000) (Note 2)	–
	28/11/2019	HK$1.55	5,000,000	–	–	(5,000,000) (Note 2)	–
	23/12/2020	HK$0.88	5,000,000 (Note 1)	–	–	(5,000,000) (Note 2)	–
– 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
	28/11/2019	HK$1.55	3,500,000	–	–	–	3,500,000
	23/12/2020	HK$0.88	3,500,000 (Note 1)	–	–	–	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
	28/11/2019	HK$1.55	2,800,000	–	–	–	2,800,000
	23/12/2020	HK$0.88	2,800,000	–	–	–	2,800,000
– Liu Yong	28/9/2017	HK$2.49	1,000,000	–	–	(1,000,000) (Note 2)	–
	1/11/2018	HK$2.334	1,000,000	–	–	(1,000,000) (Note 2)	–
	28/11/2019	HK$1.55	1,000,000	–	–	(1,000,000) (Note 2)	–
	23/12/2020	HK$0.88	1,000,000	–	–	(1,000,000) (Note 2)	–
– 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
	28/11/2019	HK$1.55	1,000,000	–	–	–	1,000,000
	23/12/2020	HK$0.88	1,000,000	–	–	–	1,000,000
Senior management and other employees	28/9/2017	HK$2.49	10,170,000	–	–	(30,000)	10,140,000
	1/11/2018	HK$2.334	4,100,000	–	–	–	4,100,000
	28/11/2019	HK$1.55	4,100,000	–	–	–	4,100,000
	23/12/2020	HK$0.88	3,500,000	–	–	–	3,500,000
			86,070,000	–	–	(21,030,000)	65,040,000

Notes:

1. The share options were conditionally granted on 23 December 2020 subject to the independent Shareholders (as defined in the Listing Rules) approval at an extraordinary general meeting held on 5 March 2021 (the "2021 EGM"). The independent Shareholders approved the said grant of share options to Mr. Liang Ronald and Mr. Fu Chin Shing at the 2021 EGM, while the share options granted to Mr. Liu Gui Sheng has been cancelled on 11 February 2021.

2. On 2 February 2021, the Board resolved to approve the cancellation of the total 17,000,000 and 4,000,000 share options respectively granted to Mr. Liu Gui Sheng and Mr. Liu Yong with effective date on 11 February 2021. Details of the cancellation of share options were set out in the announcement of the Company dated 11 February 2021.

There was no share options being exercised in 2021. As at report date, 65,040,000 shares are issuable for options granted under the Share Option Scheme, representing approximately 22.56% of the total number of issued shares at that date respectively. And as at the report date, the total number of shares available for issue under the Share Option Scheme shall be 86,040,000 shares representing approximately 29.85% of the number of shares in issue as at that date.

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 2021.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling Shareholders 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 2021, as required to be disclosed under Rule 8.10(2) of the Listing Rules.

MANAGEMENT CONTRACT

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

CHANGES IN INFORMATION OF DIRECTORS

The change in the information of the Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules in 2021, is as follows.

Mr. Lo Wai Hung, an independent non-executive director of the Company, was appointed as an independent non-executive director of Tibet Water Resources Ltd. (stock code: 1115) since 28 September 2021 and China New Town Development Company Limited (stock code: 1278) since 30 December 2021 and as a non-executive director of SY Holdings Group Limited (formerly known as Sheng Ye Capital Limited) (stock code: 6069) since 10 December 2021, the shares of which listed on the Stock Exchange of Hong Kong Limited.

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 21 May 2021, the Company and BMEDI, being one of the substantial Shareholders, 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 was effective on 21 May 2021 and shall expire on 31 December 2022 unless terminated in accordance with the terms of the Framework Agreement. The Board believed that the Framework Agreement would create an integrated development opportunity for the Group by increasing in invenue through collaboration with BMEDI in their secured projects, having a better accessibility to government projects of the Mainland China through BMEDI network, and having synergy to provide integrated professional services to the clients.

For the year ended 31 December 2021, the service fees receivable from BMEDI under the Framework Agreement amounted to approximately HK$4,444,000, while the annual cap for the continuing connected transactions for the year ended 31 December 2021 was RMB10,000,000 (equivalent to approximately HK$11,875,000).

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 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 35 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 as a whole.

The Company has compiled with the applicable requirements under Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions during the year ended 31 December 2021.

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 2021 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$594,000 (2020: HK$240,000).

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

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2021, the aggregate revenue attributable to the Group's five largest clients represented approximately 26% of the Group's total revenue. The revenue attributable to the Group's largest client represented approximately 9.7% of the Group's total revenue for the same period.

For the year ended 31 December 2021, the aggregate sub-consultancy fee paid to the Group's five largest suppliers represented approximately 4.6% of the Group's total costs of services. The sub-consultancy fee to the Group's largest supplier represented approximately 2.9% of the Group's total costs for the same period.

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

EVENTS AFTER THE REPORTING PERIOD

There is no significant event occurred after the reporting period.

AUDITOR

The Consolidated Financial Statements for the year ended 31 December 2021 have been audited by Ernst & Young who would retire at the 2022 AGM and, being eligible offer themselves for re-appointment. A resolution to re-appoint Ernst & Young as the auditor of the Company and authorise the Board to fix their remuneration will be proposed at the 2022 AGM.

Messers. Deloitte Touche Tohmatsu ("Deloitte") has resigned as auditor of the Company with effect from 17 January 2020 and Ernst & Young has been appointed as the auditor of the Company to fill the casual vacancy following the resignation of Deloitte. Save as disclosed herein, the Company has not changed in its auditor in any of the preceding three years.

On behalf of the Board

Mr. Liang Ronald
CHAIRMAN

14 April 2022

Impression Land, Jiangmen, China

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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 82 to 163, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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$861,990,000 for the year. Among which, HK$850,472,000 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 the management 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 and reviewing the terms 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 historical 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 trade receivables and contract assets	
As at 31 December 2021, the carrying amounts of the Group's trade receivables and contract assets were HK$228,442,000 and HK$226,778,000, which represented approximately 25% and 25% of total assets of the Group, respectively. As at 31 December 2021, the loss allowances of trade receivables and contract assets amounted to HK$11,783,000 and HK$1,913,000, 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 39 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 in 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; • Assessing management's basis and judgement in identifying the credit impaired trade receivables; and • Assessing the adequacy of disclosures on 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, 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, actions taken to eliminate threats or safeguards applied.

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

14 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	4, 5	**861,990**	717,172
Cost of services		**(699,260)**	(583,825)
Gross profit		**162,730**	133,347
Other income and gains, net	5	**12,730**	32,756
(Loss)/gain on fair value changes of financial assets at fair value through profit or loss		**(550)**	841
Impairment losses on financial and contract assets, net	8	**(5,207)**	(1,879)
Impairment losses on intangible assets	7	**–**	(289)
Administrative expenses		**(154,278)**	(137,359)
Share of loss of a joint venture		**(490)**	(675)
Share of loss of an associate		**(12)**	–
Finance costs	6	**(5,160)**	(7,443)
Profit before tax	8	**9,763**	19,299
Income tax expense	10	**(5,258)**	(5,056)
Profit for the year		**4,505**	14,243
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**8,439**	10,995
Other comprehensive income for the year, net of tax		**8,439**	10,995
Total comprehensive income for the year		**12,944**	25,238
Profit/(loss) for the year attributable to:			
Owners of the Company		**(1,139)**	9,498
Non-controlling interests		**5,644**	4,745
		4,505	14,243
Total comprehensive income for the year attributable to:			
Owners of the Company		**7,132**	19,912
Non-controlling interests		**5,812**	5,326
		12,944	25,238
(Loss)/earnings per share attributable to owners of the Company			
Basic (HK cents)	11	**(0.40)**	3.29
Diluted (HK cents)	11	**(0.39)**	3.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	13	**124,798**	134,891
Goodwill	15	**15,655**	15,505
Intangible assets	16	**11,434**	10,908
Investment in a joint venture	17	**4,156**	4,506
Investment in an associate	18	**355**	–
Prepayments and deposits	20	**11,870**	10,406
Deferred tax assets	28	**6,726**	4,124
Total non-current assets		**174,994**	180,340
Current assets			
Trade receivables	21	**228,442**	224,958
Contract assets	22	**226,778**	182,242
Financial assets at fair value through profit or loss	19	**17,203**	28,951
Prepayments, deposits, other receivables and other assets	20	**57,979**	39,366
Cash and bank balances	23	**198,128**	228,412
Total current assets		**728,530**	703,929
Current liabilities			
Trade payables	24	**9,913**	18,748
Other payables and accruals	25	**78,401**	89,172
Contract liabilities	26	**103,478**	101,136
Interest-bearing bank borrowings	27	**67,671**	58,519
Other interest-bearing borrowings	27	**6,146**	465
Lease liabilities	14	**35,257**	42,321
Tax payable		**4,680**	1,363
Total current liabilities		**305,546**	311,724
Net current assets		**422,984**	392,205
Total assets less current liabilities		**597,978**	572,545

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Other interest-bearing borrowings	27	**2,508**	1,598
Lease liabilities	14	**72,169**	77,104
Deferred tax liabilities	28	**1,249**	769
Total non-current liabilities		**75,926**	79,471
Net assets		**522,052**	493,074
Equity			
Issued capital	29	**2,883**	2,883
Reserves		**466,029**	443,590
Equity attributable to owners of the Company		**468,912**	446,473
Non-controlling interests		**53,140**	46,601
Total equity		**522,052**	493,074

Mr. Liang Ronald
DIRECTOR

Mr. Fu Chin Shing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Issued capital HK$'000	**Share premium** HK$'000	**Statutory reserve in Mainland China** HK$'000 (Note a)	**Share option reserve** HK$'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 2020	2,883	283,501	10,593	21,261	(47,359)	(9,251)	152,013	413,641	33,549	447,190
Profit for the year	–	–	–	–	–	–	9,498	9,498	4,745	14,243
Other comprehensive income for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	10,414	–	10,414	581	10,995
Total comprehensive income for the year	–	–	–	–	–	10,414	9,498	19,912	5,326	25,238
Acquisition of subsidiaries (Note 31)	–	–	–	–	–	–	–	–	339	339
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	2,007	2,007
Capitalisation of loan from non-controlling interests (Note 31)	–	–	–	–	–	–	–	–	4,800	4,800
Equity-settled share-option arrangements	–	–	–	12,920	–	–	–	12,920	580	13,500
Transfer of share option reserve to retained profits	–	–	–	(3,568)	–	–	3,568	–	–	–
At 31 December 2020 and 1 January 2021	2,883	283,501*	10,593*	30,613*	(47,359)*	1,163*	165,079*	446,473	46,601	493,074
Profit/(loss) for the year	–	–	–	–	–	–	(1,139)	(1,139)	5,644	4,505
Other comprehensive income for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	8,271	–	8,271	168	8,439
Total comprehensive income for the year	–	–	–	–	–	8,271	(1,139)	7,132	5,812	12,944
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	727	727
Equity-settled share-option arrangements	–	–	–	15,307	–	–	–	15,307	–	15,307
Transfer of share option reserve to retained profits	–	–	–	(26)	–	–	26	–	–	–
Cancellation of share options	–	–	–	(12,284)	–	–	12,284	–	–	–
At 31 December 2021	2,883	283,501*	10,593*	33,610*	(47,359)*	9,434*	176,250*	468,912	53,140	522,052

* These reserve accounts comprise the consolidated reserves of HK$466,029,000 (2020: HK$443,590,000) in the consolidated statement of financial position.

Notes:

(a) The statutory reserve in Mainland China is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries established in Mainland China's in accordance with the relevant laws and regulations of Mainland China. According to the relevant rules and regulations in Mainland China 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,763**	19,299
Adjustments for:			
Finance costs	6	**5,160**	7,443
Covid-19 related rent concession from lessors	5	**(131)**	–
Share of loss of a joint venture		**490**	675
Share of loss of an associate		**12**	–
Interest income	5	**(1,480)**	(2,025)
Loss on disposal/write-off of item of property, plant and equipment	5	**1,138**	2,164
(Gain)/loss on surrender of leases	5	**(3,253)**	229
Fair value loss/(gain) of financial assets at fair value through profit or loss		**550**	(841)
Depreciation	8	**57,354**	53,629
Amortisation of intangible assets	8	**2,109**	1,610
Impairment losses recognised on financial and contract assets, net			
– trade receivables	8	**3,909**	1,669
– contract assets	8	**1,298**	210
Impairment losses on intangible assets	7	**–**	289
Equity-settled share-based payments	8	**15,307**	13,500
		92,226	97,851
Increase in prepayment and deposits		**(1,846)**	(91)
Increase in trade receivables		**(13,820)**	(18,994)
Increase in contract assets		**(19,798)**	(9,772)
Increase in prepayments, deposits, other receivables and other assets		**(28,884)**	(3,788)
(Decrease)/increase in trade payables		**(8,867)**	13,283
(Decrease)/increase in other payables and accruals		**(12,397)**	14,257
(Decrease)/increase in contract liabilities		**(1,549)**	3,518
Cash generated from operations		**5,065**	96,264
Interest paid		**(5,160)**	(7,443)
Income taxes paid		**(4,100)**	(8,784)
Net cash flows (used in)/from operating activities		**(4,195)**	80,037
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,480**	2,025
Purchases of items of property, plant and equipment		**(16,158)**	(4,250)
Additions of intangible assets		**(2,395)**	(2,652)
Net cash inflow on acquisition of subsidiaries		**–**	2,137
Capital contribution from non-controlling interest		**727**	1,007
Proceeds from disposal of financial assets at fair value through profit or loss		**24,163**	621
Investment in financial assets at fair value through profit or loss		**(13,024)**	(23,114)
Decrease in time deposits		**–**	1,228
Investment in a joint venture		**–**	(5,000)
Investment in an associate		**(360)**	–
Net cash flows used in investing activities		**(5,567)**	(27,998)

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**48,000**	33,000
Repayment of bank loans		**(38,848)**	(88,584)
New other loans		**7,193**	2,325
Repayment of other loans		**(602)**	(262)
Principal portion of lease payments	33(c)	**(40,281)**	(41,526)
Net cash flows used in financing activities		**(24,538)**	(95,047)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(34,300)**	(43,008)
Cash and cash equivalents at beginning of the year		**228,412**	266,965
Effect of foreign exchange rate changes, net		**4,016**	4,455
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by cash and bank balances	23	**198,128**	228,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 address 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 August 2020, the Group has acquired 60% of issued share capital of Accentrix Company Limited ("Accentrix"). Accentrix is engaged in the provision of software development services. Accentrix was acquired so as to strengthen the Group's BIM services.

In October 2020, the Group has acquired 60% of issued share capital of Mettle Capital Limited ("Mettle"). Mettle is engaged in the provision of investment trading. Mettle was acquired for set up an investment arm of the Group in the investment market.

Information about subsidiaries

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

Name	Place and date of incorporation/ establishment	Place of operation	Issued ordinary/ registered share capital	Percentage of equity indirectly attributable to the Company	Principal activities
LWK & Partners (HK) Limited ("LWK HK")	Hong Kong 9 October 1995	Hong Kong	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")#	Mainland China 24 August 1986	Mainland China	Renminbi ("RMB") 10,000,000	100%	Provision of comprehensive architectural services
ISBIM Limited ("isBIM")	Hong Kong 12 February 2010	Hong Kong	HK$20,590,200	49%*	BIM software developing, BIM consultancy services and BIM professional training services

\# LWK Architecture is a wholly-foreign-owned enterprise under the relevant law of Mainland China

* 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.

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results 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 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 2021. 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

(b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

The Group has adopted the amendment and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK$131,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early adopt the following HKFRSs, which were in issued as at 31 December 2021 but are not yet effective for the financial year ended 31 December 2021, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[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 HKFRS 17	*Insurance Contracts*[2, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the announcements to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

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 resulting from a downstream transaction 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 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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 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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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 certain financial assets 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 inventories, contract assets, deferred tax assets, financial assets, and non-current assets classified as held for sale), 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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 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.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". 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 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%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Other assets, property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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.

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.

Customer relationship

Customer relationship is stated at cost less any impairment losses and is amortised on the straight-line basis over its useful life ranging from 6 to 8 years.

Non-competition agreement

Non-completion agreement is stated at cost less any impairment losses and is amortised on the straight-line basis over its useful life of 5 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

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 and BIM platform 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

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 0.5 to 5 years.

(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 consolidated statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Group considers a financial asset in default when contractual payments are 90 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.

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.

The Group's financial liabilities include trade payables, other payables, interest-bearing bank borrowings, other interest-bearing borrowings and lease liabilities.

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 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 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.

Contingent liabilities

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

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, and 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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 consolidated 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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.

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 participates 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

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 overseas 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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:

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 of the principal rights of the Group in respect of isBIM set out in above, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of isBIM and therefore has control over isBIM.

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, heritage conservation, IT consultancy and BIM 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 contract 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$850,472,000 (2020: HK$709,441,000) was recognised over time. Further details are given in Notes 4 and 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 exist. 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 2021 were HK$15,655,000 (2020: HK$15,505,000) and HK$11,434,000 (2020: HK$10,908,000), 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 2021 were HK$228,442,000 (2020: HK$224,958,000) and HK$226,778,000 (2020: HK$182,242,000), respectively. Further details are given in Notes 21 and 22 to the financial statements.

Impairment assessment of property, plant and equipment

The Group assesses the impairment of the property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This requires an estimation of the value in use of the cash-generating units to which the property, plant and equipment 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 amount of property, plant and equipment at 31 December 2021 was HK$124,798,000 (2020: HK$134,891,000). Further details are given in Note 13 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, IT consultancy services, BIM professional training services and BIM software developing.

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

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2021

	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	–	11,518	11,518
Services transferred over time	735,177	115,295	850,472
Revenue from contracts with customers	735,177	126,813	861,990
Type of goods or services			
Architecture services	638,323	–	638,323
Landscape architecture, town planning, interior design and heritage conservation services	96,854	–	96,854
BIM services	–	115,295	115,295
Sale of IT products	–	11,518	11,518
Revenue from contracts with customers	735,177	126,813	861,990
Intersegment revenue	–	9,281	9,281
Segment revenue	735,177	136,094	871,271
Reconciliation:			
Elimination of intersegment revenue			(9,281)
External revenue			861,990
Segment results	3,993	16,029	20,022
Reconciliation:			
Unallocated other income			1,943
Share of loss of a joint venture			(490)
Share of loss of an associate			(12)
Loss on fair value changes of financial assets at fair value through profit or loss			(550)
Share options expenses recognised			(6,751)
Other unallocated corporate expenses			(4,399)
Profit before tax			9,763

4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2020

	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	–	7,731	7,731
Services transferred over time	641,883	67,558	709,441
Revenue from contracts with customers	641,883	75,289	717,172
Type of goods or services			
Architecture services	564,497	–	564,497
Landscape architecture, town planning, interior design and heritage conservation services	77,386	–	77,386
BIM services	–	67,558	67,558
Sale of IT products	–	7,731	7,731
Revenue from contracts with customers	641,883	75,289	717,172
Intersegment revenue	–	8,167	8,167
Segment revenue	641,883	83,456	725,339
Reconciliation:			
Elimination of intersegment revenue			(8,167)
External revenue			717,172
Segment results	16,463	9,887	26,350
Reconciliation:			
Unallocated other income			1,325
Share of loss of a joint venture			(675)
Gain on fair value changes of financial assets at fair value through profit or loss			841
Impairment losses on intangible assets			(289)
Share option expenses recognised			(3,181)
Other unallocated corporate expenses			(5,072)
Profit before tax			19,299

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 2021				
Share of loss of a joint venture	**–**	**–**	**490**	**490**
Share of loss of an associate	**–**	**–**	**12**	**12**
Investment in an associate	**–**	**–**	**360**	**360**
Impairment losses on financial and contract assets, net	**4,268**	**939**	**–**	**5,207**
Depreciation and amortisation	**50,180**	**9,283**	**–**	**59,463**
Loss on disposal of property, plant and equipment	**1,138**	**–**	**–**	**1,138**
Gain on surrender of leases	**(3,253)**	**–**	**–**	**(3,253)**
Finance costs	**4,962**	**113**	**85**	**5,160**
Recognition of equity-settled share-based payments	**8,556**	**–**	**6,751**	**15,307**
Capital expenditure*	**13,325**	**5,228**	**–**	**18,553**
Year ended 31 December 2020				
Share of loss of a joint venture	–	–	675	675
Impairment losses on financial and contract assets, net	1,458	421	–	1,879
Depreciation and amortisation	48,145	7,094	–	55,239
Loss on disposal/write-off of property, plant and equipment	2,164	–	–	2,164
Loss on surrender of leases	229	–	–	229
Finance costs	6,750	171	522	7,443
Recognition of equity-settled share-based payments	9,739	580	3,181	13,500
Capital expenditure*	2,924	3,978	–	6,902

* 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, and investment in a joint venture and investment in an associate.

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China	**570,798**	486,004	**70,458**	65,551
Hong Kong	**261,751**	204,888	**90,487**	98,923
Macau	**3,057**	1,900	**–**	–
Others	**26,384**	24,380	**2,812**	7,236
	861,990	717,172	**163,757**	171,710

Information about a major customer

During the years ended 31 December 2021 and 31 December 2020, there is no revenue from sales to a single customer accounted for 10% or more of the total revenue of the Group.

5. REVENUE, OTHER INCOME AND GAINS, 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 GAINS, 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 service 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 is 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:

	2021			2020		
	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	**637,940**	**72,332**	**710,272**	578,066	69,020	647,086
More than one year but not more than two years	**353,134**	**37,905**	**391,039**	336,403	28,263	364,666
More than two years	**647,831**	**75,031**	**722,862**	609,764	49,180	658,944
	1,638,905	**185,268**	**1,824,173**	1,524,233	146,463	1,670,696

The revenue recognised in the year relating to carried finance contract liabilities was disclosed in Note 26 to the consolidated financial statements.

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

	2021 HK$'000	2020 HK$'000
An analysis of the other income and gains, net is as follows:		
Other Income		
Bank interest income	**1,480**	2,025
Government subsidies	**1,486**	23,177
Refund of Value Added Tax in Mainland China	**1,498**	1,624
Rent concession related to Covid-19	**131**	–
Others	**4,110**	4,092
	8,705	30,918
Gains, net		
Loss on disposal/write-off of items of property, plant and equipment	**(1,138)**	(2,164)
Gain/(loss) on surrender of leases	**3,253**	(229)
Foreign exchange differences, net	**1,910**	4,253
Others	**–**	(22)
	4,025	1,838
	12,730	32,756

6. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest expenses on:		
– Bank borrowings	**1,440**	2,770
– Lease liabilities (Note 14)	**3,613**	4,634
– Others	**107**	39
	5,160	7,443

7. IMPAIRMENT LOSSES ON INTANGIBLE ASSETS

During the year ended 31 December 2020, management determined that there was an impairment on a club membership amounting to HK$289,000 which was included in intangible assets by reference to the quoted market prices of HK$280,000 classified as Level 1 of the fair value hierarchy.

8. PROFIT BEFORE TAX

	2021 **HK$'000**	2020 HK$'000
Profit before tax has been arrived at after charging/(crediting):		
Cost of sale of IT products	**9,949**	7,257
Cost of services rendered	**689,311**	576,568
Depreciation of property, plant and equipment	**57,354**	53,629
Amortisation of intangible assets[1]	**2,109**	1,610
Auditor's remuneration (including remuneration for non-audit services)	**2,306**	2,250
Loss on disposal/write-off of property, plant and equipment	**1,138**	2,164
(Gain)/loss on surrender of leases	**(3,253)**	229
Staff costs including directors' and chief executives' remunerations		
– Salaries, allowances, and other benefits	**534,432**	460,726
– Equity-settled share-based payments	**15,307**	13,500
– Contributions to retirement benefit schemes	**23,479**	14,753
	573,218	488,979
Impairment recognised on:		
– Trade receivables, net	**3,909**	1,669
– Contract assets, net	**1,298**	210
	5,207	1,879

Note:

(1) Included in cost of services.

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 bonuses[4] HK$'000	Equity-settled share based payments HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2021						
Executive directors[1]						
Mr. Liang Ronald	**1,200**	**8,654**	**2,500**	**2,684**	**96**	**15,134**
Mr. Liu Gui Sheng[5]	**–**	**–**	**–**	**5,138**	**–**	**5,138**
Mr. Fu Chin Shing ("Mr. Fu")[2]	**1,000**	**8,369**	**2,500**	**2,008**	**94**	**13,971**
Mr. Wang	**400**	**6,587**	**–**	**1,331**	**59**	**8,377**
Mr. Liu Yong[5]	**–**	**–**	**–**	**1,507**	**–**	**1,507**
Mr. Ma Kwai Lam Lambert	**400**	**1,824**	**–**	**525**	**18**	**2,767**
	3,000	**25,434**	**5,000**	**13,193**	**267**	**46,894**
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	**25,434**	**5,000**	**13,193**	**267**	**47,398**
2020						
Executive directors[1]						
Mr. Liang Ronald	1,200	8,355	2,486	2,254	96	14,391
Mr. Liu Gui Sheng	–	–	–	2,197	–	2,197
Mr. Fu	1,000	5,149	3,127	1,840	93	11,209
Mr. Wang	400	6,006	–	1,526	54	7,986
Mr. Liu Yong	–	–	–	500	–	500
Mr. Ma Kwai Lam Lambert	400	1,847	2,264	681	18	5,210
	3,000	21,357	7,877	8,998	261	41,493
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	21,357	7,877	8,998	261	41,997

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 determined by reference to the performance of the Group for the years ended 31 December 2021 and 2020.

(5) During the year ended 31 December 2021, Mr. Liu Gu Sheng and Mr. Liu Yong forfeited and cancelled their right on the vested and unvested share options, accordingly, additional share option expense due to acceleration of vesting for these cancelled share options, amounting to HK$4,763,000 and HK$1,416,000 respectively, was recognised.

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 consolidated 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 2021, Mr. Liu Gui Sheng and Mr. Liu Yong waived their entitled emoluments of HK$1,200,000 (2020: HK$1,200,000) and HK$400,000 (2020: 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 2021 (2020: Nil).

During the years ended 31 December 2021 and 2020, 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

The five highest paid individuals in the Group included four (2020: four) directors of the Company (including the Chief Executive Officer of the Company) whose emoluments are set out above. The emoluments of the remaining one (2020: one) highest paid employee are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries, allowances and other benefits	**2,723**	2,716
Performance related bonuses	**609**	1,213
Pension scheme contributions (defined contribution scheme)	**18**	18
	3,350	3,947

The individual 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 (2020: HK$3,500,001 to HK$4,000,000).

10. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	**3,031**	1,554
Corporate Income Tax in Mainland China ("CIT")	**4,094**	6,023
Underprovision/(overprovision) of Hong Kong Profits Tax in prior years	**255**	(273)
	7,380	7,304
Deferred tax (Note 28):	**(2,122)**	(2,248)
	5,258	5,056

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for two subsidiaries of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from 2018/19. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

CIT in Mainland China has been provided at the rate of 25% (2020: 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% (2020: 15%) for the year. Certain subsidiaries of the Company satisfied the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises. The first RMB1,000,000 (2020: RMB1,000,000) taxable income shall be included in its taxable income at the reduced rate of 25% (2020: 25%), with the applicable corporate income tax rate of 20% (2020: 20%), and the annual taxable income not less than RMB1,000,000 (2020: RMB1,000,000) nor more than RMB3,000,000 (2020: RMB3,000,000) shall be included in its taxable income at the reduced rate at 50% (2020: 50%), with the applicable corporate income tax rate at 20% (2020: 20%).

10. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Group to the tax expense at the effective tax rates, and a reconciliation of the applicable rate (i.e., the statutory tax rates) to the effective tax rate, are as follows:

	2021 **HK$'000**	2020 HK$'000
Profit before tax	**9,763**	19,299
Tax at the Hong Kong profits tax rate of 16.5% (2020: 16.5%) (note)	**1,611**	3,184
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(148)**	(290)
Effect of different tax rates of profits generated in Mainland China by Hong Kong entities	**845**	775
Tax effect of expenses not deductible for tax	**3,736**	5,221
Tax effect of income not subject to tax	**(638)**	(4,604)
Tax effect of tax losses not recognised	**381**	1,396
Utilisation of tax losses previously not recognised	**(866)**	(26)
Adjustments in respect of current tax of previous periods	**255**	(273)
Income tax at the concessionary rate	**(330)**	(165)
Others	**412**	(162)
Income tax expense	**5,258**	5,056

Note: The Hong Kong profit tax rate is used as the domestic tax rate as Hong Kong is the jurisdiction in which the Group is domiciled.

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

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

	2021 HK$'000	2020 HK$'000
(Loss)/earnings:		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(1,139)**	9,498

	Number of Shares 2021	2020
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	**400,271**	–
	288,661,051	288,260,780

12. DIVIDENDS

No final dividend was proposed nor paid by the Company in respect of the years ended 31 December 2021 and 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2020	112,506	27,816	54,733	1,888	196,943
Additions	92,789	830	3,420	–	97,039
Disposals/write-off	–	(8,435)	(236)	–	(8,671)
Surrender of a lease	(8,758)	–	–	–	(8,758)
Acquisition of subsidiaries	448	–	126	–	574
Exchange realignment	5,698	287	1,558	32	7,575
At 31 December 2020 and 1 January 2021	202,683	20,498	59,601	1,920	284,702
Additions	63,127	8,713	7,445	–	79,285
Disposals/write-off	–	(1,675)	(1,253)	–	(2,928)
Lease modification	(470)	–	–	–	(470)
Surrender of leases	(68,077)	–	–	–	(68,077)
Exchange realignment	1,900	374	650	18	2,942
At 31 December 2021	199,163	27,910	66,443	1,938	295,454
ACCUMULATED DEPRECIATION					
At 1 January 2020	44,288	14,228	37,538	1,732	97,786
Charge for the year	44,417	2,446	6,640	126	53,629
Disposals/write-off	–	(542)	(237)	–	(779)
Surrender of a lease	(4,113)	–	–	–	(4,113)
Exchange realignment	1,927	215	1,116	30	3,288
At 31 December 2020 and 1 January 2021	86,519	16,347	45,057	1,888	149,811
Charge for the year	45,302	4,497	7,523	32	57,354
Disposals/write-off	–	(786)	(1,004)	–	(1,790)
Surrender of leases	(35,958)	–	–	–	(35,958)
Exchange realignment	595	124	502	18	1,239
At 31 December 2021	96,458	20,182	52,078	1,938	170,656
CARRYING AMOUNTS					
At 31 December 2021	102,705	7,728	14,365	–	124,798
At 31 December 2020	116,164	4,151	14,544	32	134,891

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 between 0.5 and 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 2020	66,396	1,822	68,218
Additions	88,831	3,958	92,789
Surrender of a lease	(4,645)	–	(4,645)
Acquisition of subsidiaries	448	–	448
Depreciation charge	(42,042)	(2,375)	(44,417)
Exchange realignment	3,628	143	3,771
At 31 December 2020 and 1 January 2021	112,616	3,548	116,164
Additions	60,898	2,229	63,127
Lease modifications	(470)	–	(470)
Surrender of leases	(31,745)	(374)	(32,119)
Depreciation charge	(42,741)	(2,561)	(45,302)
Exchange realignment	1,398	(93)	1,305
At 31 December 2021	99,956	2,749	102,705

14. LEASES (Continued)

The Group as a lessee (Continued)

(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 2020	69,288
New leases	91,730
Surrender of a lease	(4,416)
Acquisition of subsidiaries	442
Accretion of interest recognised during the year	4,634
Payments	(46,160)
Exchange realignment	3,907
Carrying amount at 31 December 2020 and 1 January 2021	119,425
New leases	62,705
Lease modification	(549)
Surrender of leases	(35,372)
Accretion of interest recognised during the year	3,613
Payments	(43,894)
Covid-19 related rent concessions from lessors	(131)
Exchange realignment	1,629
Carrying amount at 31 December 2021	107,426

	2021 **HK$'000**	2020 HK$'000
Analysed into:		
Current portion	**35,257**	42,321
Non-current portion	**72,169**	77,104
	107,426	119,425

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) **Lease liabilities** (Continued)

The maturity analysis of lease liabilities was as follows:

	2021 HK$'000	2020 HK$'000
Analysed into:		
Within one year or on demand	**35,257**	42,321
In the second year	**31,354**	34,759
In the third to fifth years, inclusive	**40,815**	42,345
	107,426	119,425

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

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**3,613**	4,634
Depreciation charge of right-of-use assets	**45,302**	44,417
(Gain)/loss on surrender of leases	**(3,253)**	229
Gain on lease modification	**(79)**	–
Covid-19 related rent concessions from lessors	**(131)**	–
Total amount recognised in profit or loss	**45,452**	49,280

(d) The total cash outflow for leases is disclosed in Notes 33(c) to the financial statements.

15. GOODWILL

	LWK Architecture HK$'000	isBIM HK$'000	Total HK$'000
COST AND CARRYING VALUES			
At 1 January 2020	4,280	10,463	14,743
Acquisition of a subsidiary (Note 31)	–	498	498
Exchange realignment	264	–	264
At 31 December 2020 and 1 January 2021	4,544	10,961	15,505
Exchange realignment	150	–	150
At 31 December 2021	4,694	10,961	15,655

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

During the years ended 31 December 2021 and 31 December 2020, 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.

15. GOODWILL (Continued)

isBIM CGU

Goodwill of HK$10,463,000 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.

Goodwill of HK$498,000 arose from the acquisition of a 60% equity interest in Accentrix by isBIM during the year ended 31 December 2020, which is engaged in the provision of software development.

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 rates 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 which 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 2021

	LWK Architecture	**isBIM**
Discount rate	**13.4%**	**13.1%**
Terminal growth rate	**2%**	**3%**

31 December 2020

	LWK Architecture	isBIM
Discount rate	13.9%	13.5%
Terminal growth rate	3%	2%

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 2021 and 2020.

16. INTANGIBLE ASSETS

	Software platform under development HK$'000	Software platform HK$'000	License HK$'000	Customer relationship HK$'000	Club membership HK$'000 (Note)	Other HK$'000	Total HK$'000
COST							
At 1 January 2020	5,099	1,037	4,265	4,023	569	–	14,993
Additions	2,652	–	–	–	–	–	2,652
Acquisition of a subsidiary	–	–	–	326	–	61	387
Transfer	(7,310)	7,310	–	–	–	–	–
Impairment (Note 7)	–	–	–	–	(289)	–	(289)
Exchange realignment	(87)	380	263	–	–	–	556
At 31 December 2020 and 1 January 2021	354	8,727	4,528	4,349	280	61	18,299
Additions	–	2,395	–	–	–	–	2,395
Transfers	(354)	354	–	–	–	–	–
Exchange realignment	–	305	150	–	–	–	455
At 31 December 2021	–	11,781	4,678	4,349	280	61	21,149
ACCUMULATED AMORTISATION							
At 1 January 2020	–	141	4,265	1,048	–	–	5,454
Charge for the year	–	1,082	–	525	–	3	1,610
Exchange realignment	–	64	263	–	–	–	327
At 31 December 2020 and 1 January 2021	–	1,287	4,528	1,573	–	3	7,391
Charge for the year	–	1,540	–	557	–	12	2,109
Exchange realignment	–	65	150	–	–	–	215
At 31 December 2021	–	2,892	4,678	2,130	–	15	9,715
CARRYING AMOUNTS							
At 31 December 2021	–	8,889	–	2,219	280	46	11,434
At 31 December 2020	354	7,440	–	2,776	280	58	10,908

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 year ended 31 December 2021, 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. During the year ended 31 December 2020, by reference at the quoted market prices, which is classified as Level 1 of the fair value hierarchy, management determined that there was an impairment loss of HK$289,000 of club membership.

17. INVESTMENT IN A JOINT VENTURE

	2021 HK$'000	2020 HK$'000
Share of net assets	**4,156**	4,506

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

Name	Registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
C-Bay	RMB26,270,000	Mainland China	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), 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 have 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 in aggregate of HK$30,000,000. One-third of capital injection has to be paid upon the completion of the registration of C-Bay, which was in September 2019, and the remaining two-thirds of capital injection are required to be paid within 30 years on dates mutually agreed by both joint venture partners. As at the year ended 31 December 2021, the Group has paid up HK$5,000,000 for the capital of C-Bay.

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

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**8,285**	8,749
Other current assets	**27**	262
Net assets	**8,312**	9,011
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**4,156**	4,506
Revenue	**184**	481
Interest income	**13**	14
Loss for the year	**(980)**	(1,350)
Total comprehensive loss for the year	**(699)**	(927)

18. INVESTMENT IN AN ASSOCIATE

	2021 HK$'000	2020 HK$'000
Share of net assets	**355**	–

Particulars of the Group's associate are as follows:

Name	Registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
廣州慧思投資顧問有限公司	RMB2,000,000	Mainland China	30%	30%	30%	Provision of project development consultancy services

On 22 November 2021, C Cheng Investment Development Limited, a subsidiary of the Company, entered into the shareholders agreement with other investors to establish a joint venture company, 廣州慧思投資顧問有限公司, which will focus on providing consultancy services in Guangdong-Hong Kong-Macau Greater Bay Area in respect of project development. The total registered capital of the associate is RMB2,000,000. Half of the capital was paid up and the remaining capital are required to be paid by 31 December 2060.

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

	2021 HK$'000
Current assets	**1,234**
Current liabilities	**(50)**
Net assets	**1,184**
Reconciliation to the Group's interest in the associate	
Proportion of the Group's ownership	**30%**
Carrying amount of the investment	**355**
Loss for the year	**(40)**
Total comprehensive loss for the year	**(16)**

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Listed equity investments, at fair value	**17,203**	9,764
Other unlisted investments, at fair value	**–**	19,187
	17,203	28,951

The above listed equity investments were listed in Hong Kong and overseas. They were classified as financial assets at fair value through profit or loss as they are held for trading.

As at 31 December 2020, the above unlisted investments were investments note issued by financial institution, 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.

20. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2021 HK$'000	2020 HK$'000
Prepayments		**21,055**	17,912
Rental and utility deposits paid		**9,830**	10,553
Prepaid disbursements		**451**	74
Other receivables	(a)	**19,812**	11,209
Other assets	(b)	**18,701**	10,024
		69,849	49,772
Analysed into			
Non-current assets		**11,870**	10,406
Current assets		**57,979**	39,366
		69,849	49,772

Notes:

(a) As at 31 December 2021, included in other receivables was a loan amount to HK$7,600,000 (2020: HK$4,000,000) to an independent third party, which was secured by a property, interest-free and repayable within one year.

(b) Other assets as at 31 December 2021 represented properties held for sale located in Mainland China at the aggregate carrying value of HK$18,701,000 (2020: HK$10,024,000). During the year, the Group entered into arrangements with certain customers which the customers settled their trade receivables due to the Group with their own properties. The directors of the Company are intended to sell those properties within one year from the end of the reporting period. Accordingly, those properties are recognised as held for sale under HKFRS 5.

21. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Bills receivables	**10,150**	8,824
Trade receivables	**230,075**	223,721
	240,225	232,545
Impairment	**(11,783)**	(7,587)
	228,442	224,958

* 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:

	2021 HK$'000	2020 HK$'000
Unbilled receivables (Note)	**62,346**	82,679
Within 30 days	**59,491**	63,623
Over 30 days and within 90 days	**53,226**	43,725
Over 90 days and within 180 days	**23,075**	18,482
Over 180 days	**30,304**	16,449
	228,442	224,958

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

Disclosure requirement related to ECL is set out in Note 39 to the financial statements.

22. CONTRACT ASSETS

	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Comprehensive architectural services	**182,985**	154,237	142,910
BIM services	**45,706**	28,620	17,560
	228,691	182,857	160,470
Impairment	**(1,913)**	(615)	(405)
	226,778	182,242	160,065

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 service contracts and BIM service 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 receivables" 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 classifies 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 39 to the financial statements.

23. CASH AND BANK BALANCES

As at 31 December 2021, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$150,520,000 (2020: HK$169,274,000). 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.

During the year ended 31 December 2021, bank balances earned interest at floating rates ranging from 0.01% to 3.20% (2020: 0.01% to 3.50%).

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:

	2021 **HK$'000**	2020 HK$'000
Within 30 days	**4,164**	16,775
Over 30 days and within 90 days	**1,463**	1,096
Over 90 days	**4,286**	877
	9,913	18,748

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 time frame.

25. OTHER PAYABLES AND ACCRUALS

	2021 **HK$'000**	2020 HK$'000
Refundable deposits received from customers	**658**	674
Accrued payroll costs and bonuses	**71,939**	73,940
Accrued expenses	**5,766**	4,469
Other payables	**7**	7,279
Other tax payables	**31**	2,810
	78,401	89,172

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

26. CONTRACT LIABILITIES

	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Comprehensive architectural services	**91,801**	94,475	85,609
BIM services	**11,677**	6,661	4,789
	103,478	101,136	90,398

The revenue recognised in the current year relating to carryforward of contract liabilities was as follows:

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in the contract liabilities at the beginning of the year		
– Comprehensive architectural services	**53,863**	48,013
– BIM services	**5,737**	4,705
	59,600	52,718

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 AND OTHER INTEREST-BEARING BORROWINGS

(a) Interest-bearing bank borrowings

	2021			2020		
	Effective interest rate (%) (note ii)	**Maturity**	**HK$'000**	Effective interest rate (%) (note ii)	Maturity	HK$'000
Current						
Revolving bank loans (Note (ii))	**Hong Kong Interbank Offered Rate ("HIBOR") +1.95-2.3**	**Revolving**	**62,000**	Hong Kong Interbank Offered Rate ("HIBOR") +1.95-2.3	Revolving	47,000
Portion of bank loans for repayment within one year which contain a repayment on demand clause	**HIBOR +1.95/2.75**	**2022**	**3,684**	HIBOR +1.8-1.95/2.75	2021	6,755
Portion of bank loans for repayment after one year which contain a repayment on demand clause	**2.75**	**2023-2026**	**1,987**	HIBOR +1.95/2.75	2022-2025	4,764
			67,671			58,519

Notes:

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

	2021 HK$'000	2020 HK$'000
Within one year or on demand	**65,684**	53,755
In the second year	**1,087**	3,491
In the third to fifth years, inclusive	**900**	1,273
	67,671	58,519

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

(iii) All bank borrowings are dominated in Hong Kong dollars as at 31 December 2021 and 2020.

27. INTEREST-BEARING BANK BORROWINGS AND OTHER INTEREST-BEARING BORROWINGS (Continued)

(b) Other interest-bearing borrowings

	2021 HK$'000	2020 HK$'000
Other interest-bearing borrowings	**8,654**	2,063
Less: Amount repayable within one year or on demand and classified as current portion	**(6,146)**	(465)
	2,508	1,598

The other interest-bearing borrowings were unsecured, bear interest at rates ranging from 3.27% to 4.56% (2020: 3.04% to 3.16%) and repayable within one to five years. The balance was dominated in Hong Kong dollars.

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	**ECL** HK$'000	**Tax loss** HK$'000	**Total** HK$'000
At 1 January 2020	294	(730)	(1,090)	(244)	2,565	254	74	–	1,123
Acquisition of a subsidiary	–	–	(64)	48	–	–	–	–	(16)
Deferred tax (charged)/ credited to profit or loss	(100)	340	(145)	427	1,615	117	(6)	–	2,248
At 31 December 2020	194	(390)	(1,299)	231	4,180	371	68	–	3,355
Deferred tax (charged)/ credited to profit or loss	71	451	(233)	(34)	1,081	43	646	97	2,122
At 31 December 2021	265	61	(1,532)	197	5,261	414	714	97	5,477

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:

28. DEFERRED TAX (Continued)

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**6,726**	4,124
Deferred tax liabilities	**(1,249)**	(769)
	5,477	3,355

The Group has tax losses arising in Hong Kong of HK$18,159,000 (2020: HK$20,504,000) 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 amounting to HK$17,570,000 (2020: HK$20,504,000) due to the unpredictability of future profit streams.

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 subsidiaries in Mainland China amounting to HK$164,443,000 (2020: HK$151,733,000) 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 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,000,000,000	10,000
Issued and fully paid		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	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
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	24 November 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	13 December 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$0.56
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$0.62
2020 Grant	Other employees	23 December 2020	3,500,000	23 December 2020 to 22 December 2023	23 December 2023 to 22 December 2025	HK$0.88	HK$0.32
2020 Grant	Executive directors	23 December 2020	4,800,000	23 December 2020 to 22 December 2023	23 December 2023 to 22 December 2025	HK$0.88	HK$0.32
2020 Grant	Executive directors	5 March 2021	8,500,000	5 March 2021 to 22 December 2023	23 December 2023 to 22 December 2025	HK$0.88	HK$0.22

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 5 March 2021, 8,500,000 options were granted under the Share Option Scheme and the estimated fair value of the options granted on this date was HK$1,852,000. Details of the Company's share options held by employees and directors during the year ended 31 December 2021 were as follows:

	Outstanding at 1.1.2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/ forfeited during the year	Outstanding at 31.12.2021
2017 Grant 2	23,770,000	–	–	(4,500,000)	(30,000)	19,240,000
2018 Grant	18,100,000	–	–	(4,500,000)	–	13,600,000
2019 Grant	22,400,000	–	–	(6,000,000)	–	16,400,000
2020 Grant	8,300,000	8,500,000	–	(1,000,000)	–	15,800,000
	72,570,000	8,500,000	–	(16,000,000)	(30,000)	65,040,000
Exercisable at the end of the year						20,240,000
Weighted average exercise price per share	HK$1.98	HK$0.88	–	HK$1.99	HK$2.49	HK$1.83

On 5 February 2020 and 23 December 2020, 13,500,000 options and 8,300,000 options were granted under the Share Option Scheme and the estimated fair values of the options granted on these date were HK$8,410,000 and HK$2,650,000, respectively. Details of the Company's share options held by employees, directors and consultants during the year ended 31 December 2020 were as follows:

	Outstanding at 1.1.2020	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Outstanding at 31.12.2020
2017 Grant 1	3,800,000	–	–	(3,800,000)	–
2017 Grant 2	24,160,000	–	–	(390,000)	23,770,000
2018 Grant	18,100,000	–	–	–	18,100,000
2019 Grant	8,900,000	13,500,000	–	–	22,400,000
2020 Grant	–	8,300,000	–	–	8,300,000
	54,960,000	21,800,000	–	(4,190,000)	72,570,000
Exercisable at the end of the year					12,970,000
Weighted average exercise price per share	HK$2.34	HK$1.29	–	HK$3.22	HK$1.98

30. SHARE OPTION SCHEME (Continued)

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

	2020 Grant (on 5 March 2021)	2020 Grant (on 23 December 2020)	
	Executive directors	Executive directors	Other employees
Exercise price	HK$0.88	HK$0.88	HK$0.88
Expected volatility	50.58%	49.82%	49.82%
Expected life	5 years	5 years	5 years
Risk-free rate	0.87%	0.5%	0.5%
Expected dividend yield	0%	0%	0%

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.

During the year ended 31 December 2021, 30,000 (2020: 4,100,000) shares options were forfeited after the vesting period and Nil (2020: 90,000) share options were forfeited within the vesting period. Share options amounting to HK$26,000 (2020: HK$3,568,000) were transferred from share option reserve to retained profits.

During the year ended 31 December 2021, 16,000,000 (2020: Nil) share options were cancelled within the vesting period. Share options expenses amounting to HK$6,179,000 were recognised due to acceleration of vesting for these cancelled share options, and share options amounting to HK$12,284,000 were transferred from share options reserve to retained profits.

The Company recognised the expenses of HK$15,307,000 (2020: HK$12,920,000) for the year ended 31 December 2021 in relation to share option granted by the Company. The Group recognised the expenses of HK$580,000 for the year ended 31 December 2020 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.

At the end of the reporting period, the Company had 65,040,000 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 65,040,000 additional ordinary shares of the Company and additional share capital and share premium of HK$650,400 and HK$118,373,000, respectively (before issue expenses).

At the date of approval of these financial statements, the Company had 65,040,000 share options outstanding under the Share Option Scheme, which represented approximately 22.6% of the Company's shares in issue as at that date and the total number of shares available for issue under the Share Option Scheme shall be 86,040,000 shares, representing 29.8% of the number of shares in issue as at that date.

31. ACQUISITION OF SUBSIDIARIES

a) Acquisition of Accentrix

On 17 August 2020, the Group has acquired 60% of issued share capital of Accentrix. Accentrix is engaged in the provision of software developing services. Accertrix was acquired so as to extend the Group's BIM services.

The acquisition was satisfied by cash consideration of HK$1,000,000 and has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was HK$498,000. Acquisition-related costs amounting to HK$120,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year.

The fair values of the identifiable assets and liabilities of Accentrix at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	408
Intangible assets	387
Trade and other receivables	2,676
Contract assets	3,438
Bank balances and cash	1,977
Trade and other payables	(2,800)
Contract liabilities	(1,171)
Interest-bearing bank borrowing	(3,786)
Lease liabilities	(276)
Deferred tax liabilities	(16)
Total identifiable net assets at fair value	837
Non-controlling interests (40% in Accentrix)	(335)
	502
Goodwill on acquisition	498
Satisfied by cash	1,000

The fair value of trade and other receivables as at the date of acquisition amounted to HK$2,676,000. The gross contractual amount of trade and other receivables was HK$2,676,000. None of which is expected to be uncollectible.

31. ACQUISITION OF SUBSIDIARIES (Continued)

a) Acquisition of Accentrix (Continued)

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

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

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

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

	HK$'000
Cash consideration	(1,000)
Bank balances and cash acquired	1,977
Net inflow of cash and cash equivalents included in cash flows form investing activities	977
Transaction costs of the acquisition included in cash flows from operating activities	(120)
	857

Since the acquisition, Accentrix contributed HK$12,058,000 to the Group's revenue and HK$1,978,000 to the consolidated profits for the year ended 31 December 2020.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$733,265,000 and HK$10,273,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

31. ACQUISITION OF SUBSIDIARIES (Continued)

b) Acquisition of Mettle

On 30 October 2020, the Group has acquired 60% of issued share capital of Mettle. Mettle is engaged in the provision of holding investment. Mettle was acquired so as to become an investment arm of the Group in the equity market.

The acquisition was satisfied by a cash consideration of HK$6,000. Pursuant to the shareholder agreement, the Group and the non-controlling shareholder shall provide an initial funding to Mettle by way of shareholders' loans in the sums of HK$7,200,000 and HK$4,800,000 respectively, and such loans shall be capitalised as share capital of Mettle. Details of which are set out in the Company's announcements dated 16 September 2020 and 30 October 2020.

The acquisition has been accounted for using the acquisition method. No goodwill was recognised from the acquisition. Acquisition-related costs amounting to HK$188,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year.

The fair values of the identifiable assets and liabilities of Mettle as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	166
Financial assets at fair value through profit or loss	5,569
Other receivables	44
Bank balances and cash	1,166
Loan from a non-controlling interest	(4,800)
Other payables	(1,969)
Leases liabilities	(166)
Total identifiable net assets at fair value	10
Non-controlling interests (40% in Mettle)	(4)
Satisfied by cash	6

31. ACQUISITION OF SUBSIDIARIES (Continued)

b) Acquisition of Mettle (Continued)

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

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

	HK$'000
Cash consideration paid	(6)
Bank balances and cash acquired	1,166
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,160
Transaction costs of the acquisition included in cash flows from operating activities	(188)
	972

Since the acquisition, Mettle contributed Nil to the Group's revenue and HK$1,037,000 to the consolidated profit for the year ended 31 December 2020.

Had the taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$717,172,000 and HK$13,973,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

32. 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. The following table illustrates the summarised consolidated financial information of isBIM, after fair value adjustments and before group eliminations, which was included in the consolidated financial statements of the Group:

	2021 HK$'000	2020 HK$'000
Revenue	**136,094**	83,648
Other income	**988**	3,738
Total expenses	**(125,886)**	(78,685)
Profit for the year	**11,196**	8,701
Profit attributable to owners	**11,115**	8,417
Profit attributable to non-controlling interests	**81**	284
Profit for the year	**11,196**	8,701
Other comprehensive income attributable to owners of the Company	**1,853**	1,146
Other comprehensive income attributable to non-controlling interests	**168**	77
Other comprehensive income for the year	**2,021**	1,223
Total comprehensive income attributable to owners of the Company	**12,968**	9,563
Total comprehensive income attributable to non-controlling interests	**249**	361
Total comprehensive income for the year	**13,217**	9,924
Current assets	**112,100**	90,696
Non-current assets	**14,818**	13,786
Total assets	**126,918**	104,482
Current liabilities	**(36,367)**	(28,441)
Non-current liabilities	**(1,291)**	(729)
Total liabilities	**(37,658)**	(29,170)
Equity attributable to owners of the Company	**85,912**	72,940
Non-controlling interests	**3,348**	2,372
Total equity	**89,260**	75,312
Net cash flows from operating activities	**7,113**	7,019
Net cash flows used in investing activities	**(4,459)**	(2,978)
Net cash flows (used in)/from financing activities	**(4,868)**	(2,795)
Net cash (outflow)/inflow	**(2,214)**	1,246

33. 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$63,127,000 (2020: HK92,789,000) and HK$62,705,000 (2020: HK$91,730,000), respectively, in respect of lease arrangements for office premises and staff quarters. Furthermore, the Group had non-cash deductions to right-of-use assets and leases liabilities of HK$32,119,000 (2020: HK$4,645,000) and HK$35,372,000 (2020: HK$4,416,000) respectively, in respect of the surrender of leases of office premises.

During the year ended 31 December 2020, a capital injection by non-controlling interests of HK$1,000,000 has been settled through other receivables.

During the year, prepayments of HK$1,890,000 (2020: HK$2,063,000) have been settled through other interest-bearing borrowings.

(b) Changes in liabilities arising from financing activities

	Lease liabilities HK$'000	Interest-bearing bank borrowings HK$'000	Other interest-bearing borrowing HK$'000
At 1 January 2020	**69,288**	**110,317**	**–**
New leases	**91,730**	**–**	**–**
Surrendering of a lease	**(4,416)**	**–**	**–**
Acquisition of subsidiaries	**442**	**3,786**	**–**
Interest expense	**4,634**	**–**	**–**
Interest paid classified as operating cash flows	**(4,634)**	**–**	**–**
Financing cash flows	**(41,526)**	**(55,584)**	**2,063**
Foreign exchange movement	**3,907**	**–**	**–**
At 31 December 2020	**119,425**	**58,519**	**2,063**
New leases	**62,705**	**–**	**–**
Leases modification	**(549)**	**–**	**–**
Surrendering of a lease	**(35,372)**	**–**	**–**
Interest expense	**3,613**	**–**	**–**
Interest paid classified as operating cash flows	**(3,613)**	**–**	**–**
Financing cash flows	**(40,281)**	**9,152**	**6,591**
Covid-19 related rent concession from lessor	**(131)**	**–**	**–**
Foreign exchange movement	**1,629**	**–**	**–**
At 31 December 2021	**107,426**	**67,671**	**8,654**

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflows for leases

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

	2021 HK$'000	2020 HK$'000
Within operating activities	**3,613**	4,634
Within financing activities	**40,281**	41,526
	43,894	46,160

34. CAPITAL COMMITMENT

As at 31 December 2021 and 2020, the Group had a capital commitment in respect of its investment in a joint venture of HK$10,000,000 which has been contracted but not provided for in the consolidated financial statements.

35. CONTINGENT LIABILITIES

As at 31 December 2021, the Group provides guarantees amounting to HK$4,136,000 (2020: HK$4,064,000) to secure service performance bonds issued by a bank on behalf of a subsidiary's performance obligation on certain projects.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and at the end of the reporting period after taking into consideration the possibility of the default by the subsidiary, it was considered to be minimal. Accordingly, no value has been recognised in the consolidated statement of financial position.

36. RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the year ended 31 December 2021, the Group recognised revenue of HK$4,444,000 (2020: HK$4,779,000) from its comprehensive architectural services and BIM services provided to BMEDI and its subsidiaries. As at 31 December 2021, the Group had trade receivables due from BMEDI and its subsidiaries amounting to HK$2,246,000 (2020: HK$2,553,000). BMEDI is a substantial shareholder of the Company.

During the year ended 31 December 2021, the Group leased an office property from BMEDI. The monthly lease payable was determined on a basis mutually agreed by both parties with reference to the prevailing market rent of similar properties located at the surrounding area available to independent third parties. Accordingly, right-of-use asset of HK$743,000 (2020: HK$2,159,000) and lease liability of HK$765,000 (2020: HK$2,174,000) in respect of the leases were recognised in the consolidated statement of financial position as at 31 December 2021. During the year ended 31 December 2021, depreciation of right-of-use assets of HK$1,460,000 (2020: HK$1,363,000) and interest expense on the lease liability of HK$73,000 (2020: HK$131,000) were charged to the consolidated statement of profit or loss and other comprehensive income.

(b) Compensation of key management personnel

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

Save as disclosed in elsewhere to the financial statements, certain of the above related party transactions also constituted non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules under the Director's Report section.

37. 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:

Financial assets	2021 HK$'000	2020 HK$'000
Financial assets at amortised cost		
Financial assets included in prepayments, deposits, other receivables and other assets	**29,642**	21,762
Trade receivables	**228,442**	224,958
Cash and bank balances	**198,128**	228,412
	456,212	475,132
Financial assets at fair value through profit or loss	**17,203**	28,951
	473,415	504,083

Financial liabilities	2021 HK$'000	2020 HK$'000
Financial liabilities at amortised cost		
Trade payables	**9,913**	18,748
Financial liabilities included in other payables and accruals	**6,431**	12,422
Interest-bearing bank borrowings	**67,671**	58,519
Other interest-bearing borrowings	**8,654**	2,063
Lease liabilities	**107,426**	119,425
	200,095	211,177

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

Fair value hierarchy

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

	Fair value as at				
	2021 HK$'000	2020 HK$'000	**Fair value hierarchy**	**Valuation technique and key inputs**	**Significant unobserved inputs**
Financial assets at fair value through profit or loss – listed equity investments	**17,203**	9,764	Level 1	Based on the quoted market	N/A
Financial assets at fair value through profit or loss – other unlisted investments	**–**	19,187	Level 2	Based on market forward rate	N/A
	17,203	28,951			

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 2020.

During the years of 2021 and 2020, 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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise interest-bearing bank borrowings, other interest-bearing borrowings and cash and bank balances, trade receivables, trade payables, financial assets included in prepayments, deposits, other receivables and other assets and financial liabilities included in other payables and accruals 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, unsecured bank borrowings and other borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and other borrowings 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 2021 would decrease/increase by HK$289,000 (2020: HK$244,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings.

Currency risk

Certain financial assets at fair value through profit or loss, 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.

39. 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 rate, with all other variables held constant, of the Group's profit before tax.

	Change in foreign currency rate %	Increase/ (decrease) in profit before tax HK$'000
2021		
If HK$ weakens against RMB	**5%**	**1,711**
If HK$ strengthens against RMB	**5%**	**(1,711)**

	Change in foreign currency rate %	Increase/ (decrease) in profit before tax HK$'000
2020		
If HK$ weakens against RMB	5%	2,068
If HK$ strengthens against RMB	5%	(2,068)

Credit risk and impairment assessment

As at 31 December 2021, 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 amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables and contract assets arising from contracts with customers

As at 31 December 2021, the Group's concentration of credit risk by geographical locations of the projects is in Mainland China, which accounted for HK$168,283,000 (2020: HK$171,231,000) of the trade receivables.

The Group has a concentration of credit risk from its major customers. For the year ended 31 December 2021, aggregate revenue from the top five customers of the Group accounted for 26% (2020: 22.9%) of the total revenue. As at 31 December 2021, balances due from them amounted to approximately HK$27,875,000 (2020: HK$16,891,000), representing 12.20% (2020: 7.51%) 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 provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

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.

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 2021 and 2020, 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

39. 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 2021	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2021 Gross carrying amount HK$'000	2021 Gross carrying amount HK$'000	2020 Gross carrying amount HK$'000	2020 Gross carrying amount HK$'000
Financial assets at amortised cost								
Trade receivables[1]	21	N/A	High	Lifetime ECL (provision matrix)	128,165		110,893	
			Medium	Lifetime ECL (provision matrix)	95,175		111,387	
			Low	Lifetime ECL (provision matrix)	7,956		5,109	
			Loss	Credit-impaired	8,929	240,225	5,156	232,545
Bank balances	23	A-3 to A-1+	N/A	12-month ECL	198,128	198,128	228,412	228,412
Rental and utility deposits[2]	20	N/A	High	12-month ECL	9,830	9,830	10,553	10,553
Other receivables[2]	20	N/A	High	12-month ECL	19,812	19,812	11,209	11,209
Other items								
Contract assets[1]	22	N/A	High	Lifetime ECL (provision matrix)	161,125		142,538	
			Medium	Lifetime ECL (provision matrix)	65,300		40,319	
			Low	Lifetime ECL (provision matrix)	1,600		–	
			Low	Credit-impaired	666	228,691	–	182,857

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.

39. 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	2021 Average loss rate	2021 Trade receivables HK$'000	2021 Contract assets HK$'000	2020 Average loss rate	2020 Trade receivables HK$'000	2020 Contract assets HK$'000
Grades 1 to 5: High	**0.16%**	**128,165**	**161,125**	0.18%	110,893	142,538
Grade 6: Medium	**0.94%**	**95,175**	**65,300**	0.84%	111,387	40,319
Grades 7 to 8: Low	**16.39-32%**	**7,956**	**1,600**	25.57%	5,109	–
Grade 9: loss	**50-100%**	**8,929**	**666**	100%	5,156	–
		240,225	**228,691**		232,545	182,857

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:

	2021 Lifetime ECL (not credit-impaired) HK$'000	2021 Lifetime ECL (credit-impaired) HK$'000	2021 Total HK$'000	2020 Lifetime ECL (not credit-impaired) HK$'000	2020 Lifetime ECL (credit-impaired) HK$'000	2020 Total HK$'000
At beginning of year	**2,434**	**5,153**	**7,587**	1,965	3,953	5,918
Transfer to credit-impaired	**(477)**	**477**	**–**	(359)	359	–
Provision of impairment losses	**1,162**	**3,175**	**4,337**	828	2,027	2,855
Reversal of impairment losses	**(428)**	**–**	**(428)**	–	(1,186)	(1,186)
Exchange realignment	**163**	**124**	**287**	–	–	–
At end of year	**2,854**	**8,929**	**11,783**	2,434	5,153	7,587

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Gross carrying amount (Continued)

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

	2021 **HK$'000**	2020 HK$'000
At beginning of year	**615**	405
Provision for impairment losses	**1,298**	210
At end of year	**1,913**	615

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 2021, the Group had available unutilised bank facilities of HK$58,000,000 (2020: HK$73,000,000). 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.

39. 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
2021						
Trade payables	**n/a**	**9,913**	**–**	**–**	**9,913**	**9,913**
Financial liabilities included in other payables and accruals	**n/a**	**6,431**	**–**	**–**	**6,431**	**6,431**
Lease liabilities	**3.58**	**37,742**	**32,853**	**42,016**	**112,611**	**107,426**
Interest-bearing bank borrowings	**2.19**	**67,671**	**–**	**–**	**67,671**	**67,671**
Other interest-bearing borrowings	**3.12**	**6,275**	**972**	**1,920**	**9,167**	**8,654**
		128,032	**33,825**	**43,936**	**205,793**	**200,095**
2020						
Trade payables	n/a	18,748	–	–	18,748	18,748
Financial liabilities included in other payables and accruals	n/a	12,422	–	–	12,422	12,422
Lease liabilities	3.88	45,082	37,677	44,629	127,388	119,425
Interest-bearing bank borrowings	2.25	58,519	–	–	58,519	58,519
Other interest-bearing borrowings	3.09	492	537	1,353	2,382	2,063
		135,263	38,214	45,982	219,459	211,177

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Note:

Included in the above interest-bearing bank borrowings of the Group are term loans and revolving loans with a carrying amount of HK$67,671,000 (2020: HK$58,519,000). The loan agreements contain 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.

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, 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 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
2021						
Interest-bearing bank borrowings	**2.19**	**65,763**	**1,123**	**928**	**67,814**	**67,671**
2020						
Interest-bearing bank borrowings	2.25	53,950	3,549	1,302	58,801	58,519

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 and other borrowings disclosed in Note 27 to the consolidated 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.

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:

	2021 HK$'000	2020 HK$'000
Non-current assets		
Investments in subsidiaries	**69,116**	68,662
Due from subsidiaries	**154,604**	144,458
Total non-current assets	**223,720**	213,120
Current assets		
Financial assets at fair value through profit or loss	**–**	19,187
Other receivables	**280**	203
Due from subsidiaries	**66,462**	65,921
Cash and bank balances	**20,418**	10,973
Total current assets	**87,160**	96,284
Current liabilities		
Accruals	**765**	1,006
Interest-bearing bank borrowings	**1,944**	7,194
Total current liabilities	**2,709**	8,200
Net current assets	**84,451**	88,084
Net assets	**308,171**	301,204
Equity		
Issued capital	**2,883**	2,883
Reserves (Note)	**305,288**	298,321
Total equity	**308,171**	301,204

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	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2020	283,501	21,261	(19,829)	284,933
Profit and total comprehensive income for the year	–	–	468	468
Equity-settled share-option arrangements	–	12,920	–	12,920
Transfer of share option reserve to retained profits	–	(3,568)	3,568	–
At 31 December 2020 and at 1 January 2021	283,501	30,613	(15,793)	298,321
Loss and total comprehensive expense for the year	–	–	(8,340)	(8,340)
Equity-settled share-option arrangements	–	15,307	–	15,307
Transfer of share option reserve to retained profits	–	(26)	26	–
Cancellation of share options	–	(12,284)	12,284	–
At 31 December 2021	283,501	33,610	(11,823)	305,288

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 April 2022.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
RESULTS					
Revenue	455,768	671,598	685,091	717,172	**861,990**
Profit (loss) for the year	33,355	51,182	(10,582)	14,243	**4,505**
Earnings/(loss) per share					
Basic (HK cents)	12.9	16.3	(4.06)	3.29	**(0.40)**
Diluted (HK cents)	12.8	16.2	(4.06)	3.29	**(0.39)**

	As at 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	617,691	668,036	799,402	884,269	**903,524**
Total liabilities	(203,499)	(217,299)	(352,212)	(391,195)	**(381,472)**
	414,192	450,737	447,190	493,074	**522,052**
Equity attribute to owners of the Company	397,414	421,867	413,641	446,473	**468,912**
Non-controlling interests	16,778	28,870	33,549	46,601	**53,140**
	414,192	450,737	447,190	493,074	**522,052**