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 2022

Wetland Seasons Park, Hong Kong, China

MIX
Paper | Supporting responsible forestry
FSC™ C176382
FSC www.fsc.org

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liang Ronald (Chairman)
Mr. Liu Jiang Tao (Co-chairman)
(appointed on 16 June 2022)
Mr. Liu Gui Sheng (Co-chairman)
(resigned on 16 June 2022)
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 Jiang Tao (Chairman of Committee)
(appointed on 16 June 2022)
Mr. Liu Gui Sheng (Chairman of Committee)
(resigned on 16 June 2022)
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 Co., Ltd.
Changxing Branch
Ground Floor
Changxing Times Square
No. 88 Taoyuan Road
Nanshan District
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

iCity, Zhuhai, China

CHAIRMAN'S STATEMENT

Dear Shareholders,

I believe the year of 2022 will be marked in our company's history as a challenging one, but our experience and preparation in foreseeing the difficulties have mitigated its impact. On the bright side, we see the year as an opportunity to recalibrate, assess our ability, regroup and reach out for new directions for the Group.

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 on 31 December 2022.

OVERVIEW

The revenue of the Group in the face of a substantial headwind in Mainland China on property-related policies and uncertainties on the geopolitical front retreated as compared to 2021. However, the Hong Kong sector remained stable in total revenue as compared to 2021.

2022 was the third year in a row that HK suffered from lockdowns, without question with closed borders both internationally and domestically. It is not hard to imagine what our projects under the best relationships and honorable clients suffered through when they could not meet up physically. Even with the best intentions and high-tech communication software, our business does need personal contacts. If you wish to travel to Mainland China, there is always a way, although ten days of quarantine was the norm. Due to different quarantine rules in different provinces, the task of traveling to Mainland China became even harder and arduous. But people in our Group took up the task without hesitation. I thank them for their commitment to their tasks and professionalism.

Our major subsidiary, LWK + PARTNERS had a rough ride in Mainland China sector last year. The COVID-19 policies in place since 2021 did not let up. There was relaxation at the end of last year, however, for any vital policies, turnaround or adjustments will need a good part of a year, which means we may not see the effect filtering down immediately. In our overall assessment of this sector, we are still positive in our endeavor to guarantee the quality of our services. We are fortunate to cooperate with quality clients, which bodes well for our medium-term strategy in Mainland China.

The other surprising turnaround for our Group is the sector in the Middle East and North Africa ("MENA") region. The advent of the war in Ukraine and continued global geopolitical uncertainty have created a significant growth spurt in major economies in the region. The UAE where one of our offices is located is experiencing an almost 7% growth in the real estate market. In Saudi Arabia, the Saudi Vision 2030 which revolves around three main pillars will be the driving force to become the Heart of the Arab and Islamic world to build a global investment powerhouse and a hub connecting Afro-Eurasia. In this respect, the high level of real estate investment in Saudi Arabia will provide a catalyst for our Group in the future. These themes in a way also support our innovation initiatives in launching our smart home technology and digital transformation in our methodology and working processes for this region. With a robust market and a grant vision, we believe our Group platform is on track to create value in MENA for our clients and spur growth in our Group.

Technology

The Group in the last few years has been actively seeking potential start-ups and businesses to explore and participate in the transformation of the digital build industry. This sector driven by Government policies in both Hong Kong and Mainland China offers our Group opportunities. Digital transformation, carbon reduction, creating a greener environment, more efficient use of resources, and a cleaner built environment are indisputable in the architecture and construction industry.

Our investment in isBIM Limited ("isBIM") since 2017 has been performing remarkably well. Not only has it achieved double-digit revenue growth annually, but it has developed plenty of SaaS products applicable to Mainland China, especially the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") designated as a growing region in the next decade. The revenue for this part of isBIM experienced exponential growth in the 2022 financial year.

Over the past few years, we have also introduced smart home products to the MENA, to complement our digital transformation products locally. We found the products in general have been well received by the industry leaders and are still developing.

Financial Investment

In 2022, the investments in Mettle Capital Limited ("Mettle Capital") came under significant pressure due to the deteriorating macro environment and the epidemic situation in Mainland China. Nonetheless, the long-term growth prospects of investments of the Company focus on developing trends and intact themes and providing the Company with an additional earnings stream over time. Since the re-opening of Mainland China in last quarter of 2022, the market has been positive and therefore we expect 2023 will be a year of recovery. Mettle Capital is also seeking ways to make earnings more consistent and resilient to market volatility.

Design Awards

Once again, we received numerous awards. Our Group is featured in at least 50 international awards and domestic honors for projects worldwide. It proved our capability of handling projects of various cultures and backgrounds, demonstrating our adaptability, humility and professionalism to deliver award-worthy products for clients. Our pragmatic approach and ability to work with clients at all levels is this bedrock principle and culture of the Group.

We continued to be ranked in the top 100 architecture firms, standing at 29th globally according to the eminent World Architecture 100 announced in January 2023.

We must mention the hard work put in by all our teams in Hong Kong, Mainland China and MENA. Despite the particularly difficult year of 2022, it was to their credit that they held fast to our principles and achieved recognition.

PROSPECTS

We distinguished 2022 from the other years as one of the most challenging year. The COVID-19 pandemic dragging on for the third year and changes in policies emanating from the central government triggered many problems for our Group. But as in all other dips in the economy, there are two sides to a coin and one must grasp chances to restructure and revitalize the Group when good times do not afford the opportunities. This downturn has allowed the Group to evaluate, assess and make necessary adjustments to strengthen our ability to stay in the business and move the needle in the right direction.

The development within the GBA is one of our major thrusts and vectors of opportunities not afforded anywhere else in the world. With the support of the central government, this region will be one of the major driving engines of our Group. MENA is also a key thriving market. Thanks to our offices in Dubai and Riyadh, we are well placed to take on and participate in any schemes such as the Saudi 2030 Vision.

On the technology front, we will continue to seek opportunities. The technological developments within the Group will be expanded, such as the smart home technology in MENA.

Last but not least, with swift government policy adjustments in the city, several planning schemes being implemented or under consideration will bode well for Hong Kong. Our Group headquartered here is exceptionally confident in the future of the city.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to express my gratitude to our clients, our partners and particularly our colleagues for their fortitude and hard work in a stressful year. Together, I am sure we will create new opportunities, projects, businesses and directions for our Group.

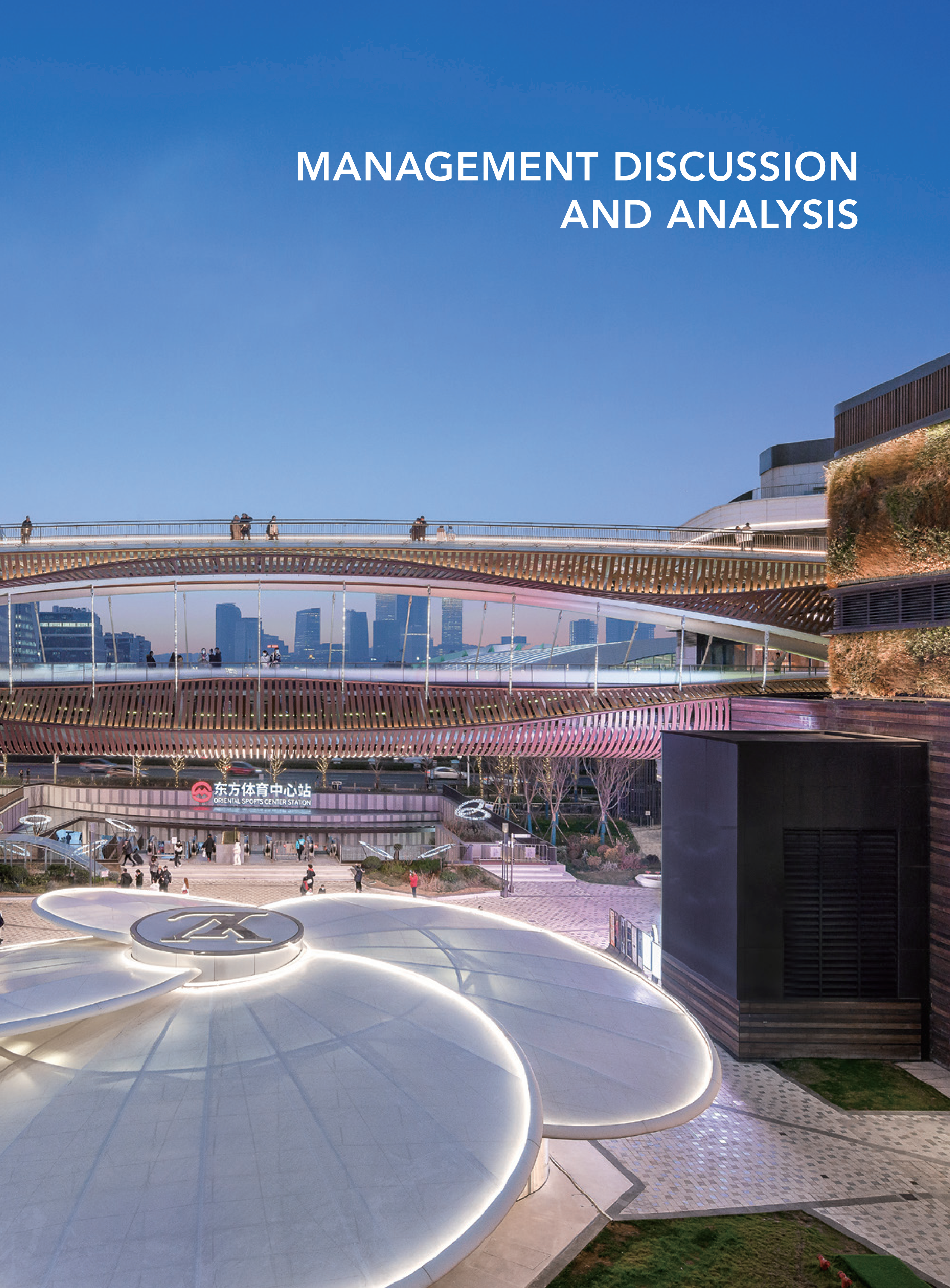
The Board also extends thanks to our shareholders for their continued support of the Group over the years.

Mr. Liang Ronald
Chairman

Hong Kong, 29 March 2023

Taikoo Li Qiantan, Shanghai, China

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Moving toward Net Zero

The world is moving in the right direction to the common target of achieving carbon neutrality, a crucial factor to safeguard the long-term sustainable growth of our planet. The architecture industry is a major player in the pathway to combat climate change and other challenges carbon emissions may pose. In Hong Kong, a subtropical high-density city, commercial buildings take up the highest percentage of electricity usage and this is exacerbated by aging building stock amid the transition to carbon neutrality of the city by 2050.

To that end, net zero is at the heart of every design and operation in the portfolio the Group as we thrive. We have been exploring ways to engage in the global campaign by enhancing our expertise in the field and providing our clients with sound guidelines and strategies. As part of our commitment, the Group focuses on resilient design as a vital manifest of creating low– or net-zero-energy buildings, in line with the national vision of hitting peak carbon dioxide emission by 2030 and carbon neutrality by 2060 in Mainland China, while we work on a human-oriented built environment.

Zero-energy buildings generate as much energy on-site as they consume, through renewable sources, yearly. We constantly leverage the resilience of buildings and optimize construction models to improve the human living experience and address uncertainties that may occur in the future. We are striving to ingrain sustainability concepts into more of our practices, such as specifying and utilizing renewable and prefabricated building materials, avoiding excessive sunlight exposure and maximizing shading, as well as constructing smart building systems with sensors and a responsive environment. Building a smart, healthy, eco-friendly city is pivotal in our strategies. We provide intelligent solutions for clients and are driving into the field of centralized, multi-functional urban spaces and green networks to avoid jeopardizing ecosystems and historical heritage due to urban expansion.

Steady Growth in GBA

GBA is the integration of the nine largest cities in Guangdong Province with Hong Kong and Macau to establish a globally recognized economic hub with a diverse industry mix. Being the most open and international city in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA"), Hong Kong is known for its status as international financial, transportation, trade centres and aviation hub as well as its renowned professional services. Enjoying the dual advantages of "one country, two systems", Hong Kong plays an important role in the GBA Development. GBA is a region of strategic importance in Mainland China, has been one of our largest markets since 2002 when LWK + PARTNERS' first mainland office opened in Shenzhen, followed by the launch of LWK + PARTNERS GBA studio in Guangzhou years ago. Professionals who master industrial development knowledge in Hong Kong and Mainland China with an international vision are commissioned to complement projects in the area. LWK + PARTNERS Shenzhen office moved to Qianhai years ago in response to our commitment to reshaping prime regions including Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.

The WA100 announced in January 2023, a respected annual survey of leading architecture practices worldwide by UK-based architectural magazine Building Design, recognized LWK + PARTNERS' growth in the area in 2022. The report emphasized over half of our workload is in GBA and overviewed its exemplary projects including the iCity retail and workplace development in Zhuhai and the Benenden School campus in Guangzhou. One of the director of the Group was among the first batch of engineers from Hong Kong and Macau to be awarded professional titles by Nansha District in Guangzhou. He was accredited as Professorate Senior, the highest rank in the Mainland system.

Gaining Traction in the Expanding Digital-Build Market

Digital transformation in the property development and management market, or digital build, has rapidly expanded. As the industry pivots to modernize its supply chain and working methods to cut carbon, improve site safety, and enhance building quality, such market sentiments advance the wide adoption of digital technologies to drive a greener, smarter, and safer development path.

In the 13th Five-Year Plan period (2016-2020), construction sector in Mainland China expanded by 5.1% annually through improved productivity, accounting for over 6.9% of GDP. Followed by the 14th Five-Year Plan (2021-2025), the building industry is set to accelerate the conversion of Building Information Modelling ("BIM"), digital twin, big data, cloud computing, and Artificial Intelligence ("AI") to upgrade a new development paradigm. Project productivity will improve throughout the construction process, and the digital economy's added value is forecasted to be 10% of GDP in 2025.

In response to the growing digital-build market, isBIM has pioneered developing its proprietary SaaS product, JARVIS, which helps digitalize the whole building process from start to finish. Establishing a single source of truth, JARVIS is an all-in-one project management suite that encompasses a wide range of digital-build modules, including an ISO-19650 certified Common Data Environment ("CDE"), the Eagle Eye Suite - a remote site supervision toolkit, Digital Works Supervision System ("DWSS"), and more.

Specifically, the Group has made remarkable progress in tapping and leading the digital-build market in the GBA. Amid the challenges posed by COVID-19-related lockdowns and travel restrictions, JARVIS demonstrates a strong product-market fit, which helps local governments and enterprises realize the benefits of smart construction.

On the international stage, isBIM's bestselling product, JARVIS Eagle Eye Suite, has proven to enhance project management efficiency while pushing through Environmental, Social, and Governance ("ESG") Values. In 2022, JARVIS Eagle Eye Suite was nominated for the World Summit Awards ("WSA") of the United Nations, being recognized as the best digital innovation from China for "Smart Settlements & Urbanization." Further afield, isBIM was awarded the "Best BIM Organization 2022" and "BIM Training and R&D Organization 2022" by the Development Bureau of the Hong Kong Administrative Government and the Construction Industry Council ("CIC"), showing the unwavering commitment to excellence of isBIM.

WSA
National
Nominee 2022

Global Recognition

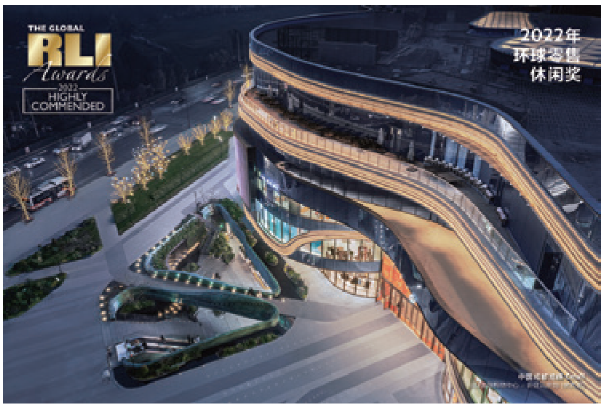
The course of 2022 witnessed LWK + PARTNERS receive a broad array of prestigious accolades and top rankings, underpinning our role in fostering low-carbon development, human-oriented experience in architecture, and supreme innovation in design.

LWK + PARTNERS remained among the world's top 100 architecture firms in the WA100 announced in January 2023, ranked as the world's 29th largest architecture firm, the 7th in retail and the 8th in mixed-use. The BCI Asia Awards 2022 crowned us as one of the top 10 architecture firms in Hong Kong for the 11th time. The renowned awards focus on the total value of a firm's projects under construction in 2021 and its sustainability efforts. We kicked off the year by earning international recognition at the MUSE Design Awards 2022 won by 13 projects. This international award evaluates a project's ability to inspire new thinking or redefine boundaries.

Our projects notched up other notable successes in Mainland China and abroad, covering special mention in the Architizer A+Awards 2022 in the Unbuilt – Multi-Unit Housing (L >10 Floors) category; five winners at the International Property Awards-Asia Pacific Property Awards 2022-2023, and one Gold, two Silver, and three Merit Awards at the 8th CREDAWARD 2021-2022. Further, we celebrated our victory in recognitions including first honors in the 9th CBDA Decoration Design Award organized by China Building Decoration Association; the Best Master Planning Consultancy KSA 2022 at the International Business Magazine Awards; one Winner and three Honorable Mentions at the Architecture Master Prize; the Global RLI Awards 2022; the 2022 Muse Design Awards Season 2; the German Design Award 2022, and the 6th ELA International Landscape Award 2022. Also among our collection of considerable trophies was the 16th International Design Awards 2022, one of the industry's most respected global design awards. Six projects were presented with honors. We also tasted success at the competition for the OCT Dongguan Songshan Lake Yuehe Project where our design proposal of developing an immersive theme park with a unique cultural identity combining urban life and lake ecology impressed judges.

LWK + PARTNERS has always been diving into innovative thinking and mind-stretching works and supporting talent and corporates with the potential to change the world, as we thrive. Experts from our global studios joined the jury of international and domestic architecture awards, including the Build4Asia Awards 2022, the CTBUH Annual Awards in the Best Tall Mixed-Use Building category and the 2022 SKYHIVE Skyscraper Challenge, etc..


LWK
+PARTNERS
2022
年度榮譽
及獎項盤點
AWARDS REVIEW


THE GLOBAL RLI Awards
2022
HIGHLY COMMENDED
2022年
环球零售
休闲奖


ARCHITECTURE MASTERPRIZE
2022年
美国建筑大师奖


ASIA PACIFIC PROPERTY AWARDS
2022-2023年
IPA国际房地产大奖（亚太区）


2022年
缪斯设计奖


GERMAN DESIGN AWARD
SPECIAL
2022
2022年
德国设计奖


2022
Architizer A+大奖


2022
第六届ELA国际景观大奖


IDA DESIGN AWARDS
2022年
国际设计大奖
大云湾


2022
优质建筑大奖


2022年
CREDAWARD地产设计大奖 · 中国


2022
第九届CBDA装饰设计大赛

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$533,759,000 in segment revenue, representing a decrease of 27.4%. We secured 94 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK$744,758,000, as compared with HK$915,971,000 in 2021, representing a decrease of 18.7%. As at 31 December 2022, the Group's segment had remaining contract sums of approximately HK$1,523,790,000, decreased by 7.0% as compared with HK$1,638,905,000 in 2021. As our main stream of practice, our traditional sector in architecture contributed approximately 93.0% of the revenue to our comprehensive architectural services.

The exponential growth in the property market for two decades in Mainland China contributed a key GDP growth driver until mid of 2021. The property sales abruptly slumped amid tighter government policies and the unprecedented wave of defaults and stalled projects has hit over-leveraged property developers in 2022. Additionally, the persistent outbreaks of the pandemic caused lockdowns and stringent quarantine measures across different cities in Mainland China during the year, lead to dramatically change in the dynamics of the property market in Mainland China which also seriously impacted comprehensive architectural business of the Group.

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. Ride on the recent rapid technology focused development in the property market, isBIM recorded 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$153,500,000 when compared to segment revenue of HK$136,094,000 in 2021, represented an increase of 12.8%. isBIM successfully secured 170 new contracts from external customers and the value of such new contracts and supplementary contracts totaled approximately HK$129,424,000, representing a decrease of 19.8% when compared to HK$161,475,000 of last year. Remaining contract sum as at 31 December 2022 was approximately HK$179,813,000, decreased by 2.3% as compared with HK$184,127,000 in 2021.

With the self developed BIM data management platform "JARVIS", isBIM successfully extended its business reach from BIM consultancy services to SaaS platform services. The digital platform allow customers to manage the whole life cycle of their property project, creating new business and growth engine for isBIM group.

FINANCIAL OVERVIEW

Revenue

During the year, the revenue of the Group was HK$682,667,000, compared with that of HK$861,990,000 in 2021, representing a decrease of 20.8%. Despite of the relaxation of COVID-19 restrictions in Mainland China in late December, the persistent outbreaks of the pandemic caused lockdowns and stringent quarantine measures across different cities in Mainland China, led to extraordinary disruptions to the business activities of the Group and adversely affected the pace and progress of the projects of the Group. During the year, with the adverse impact by abovementioned property market situation as well as the continuous depreciation in RMB, the revenue from Mainland China was decreased by HK$199,040,000, representing 34.9% when compared with last year.

Cost of services

Cost of services for the year amounted to HK$574,240,000, when compared with that of HK$699,260,000 in 2021, representing a decrease of 17.9%. Decrease in current year was mainly represented by the cost reduction of the operation of the Group in Mainland China. The Group reduced the professional team in response to the downturn in the property market in Mainland China.

Gross profit and gross profit margin

Gross profit for the year amounted to HK$108,427,000, decreased by 33.4% when compared with 2021. The decrease in gross profit margin during the year was due to the suffering of loss in productivity from the temporary operation closures and lockdowns at certain premises of the Group and project sites in Mainland China due to the widespread outbreak of the pandemic as well as the delay in progress of projects due to the general credits tightening measures imposed by relevant government authorities and financial institutions, which increased the pressure on the liquidity of capital to the property developers. With the recent relaxation of COVID-19 restrictions as well as the releasing of credits tightening measures by the relevant authorities, it was expected that the profit margin will able to resume to normal in the coming future.

Administrative expenses

Administrative expenses for the year amounted to HK$120,547,000, comparing with the corresponding period of HK$154,278,000, representing a decrease of 21.9%. The decrease was mainly due to the decrease in staff cost including equity-settled share-based payments and headcount for the management and administrative support.

Profit/Loss for the year

Loss for the year of 2022 was HK$11,136,000, compared with profit of HK$4,505,000 in 2021.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Current assets	**712,305**	728,530
Current liabilities	**290,424**	305,546
Current ratio	**2.45**	2.38

The current ratio of the Group at 31 December 2022 was 2.45 times as compared to that of 2.38 times at 31 December 2021. The increase in current ratio in current year was mainly resulted from the increase in contract assets due to the enlarged contract work in progress which have not been issued billings during the year and the decrease in other payable and accruals contributed by the significant decrease in annual bonus for 2022.

As at 31 December 2022, the Group had total bank balances and cash of HK$160,869,000 (2021: HK$198,128,000). The unutilized banking facility was HK$84,000,000 (2021: HK$58,000,000) as at 31 December 2022. The Group is having sufficient funding for future expansion and merger and acquisition plans.

As at 31 December 2022, the gearing ratio of the Group was 17.0% (represented by unsecured bank borrowings and other interest-bearing borrowings divided by total equity) (as at 31 December 2021: 14.6%).

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

The reopening of economic, trade, and cultural exchanges between Hong Kong and the world presents us with abundant market possibilities ahead. The Group will continue embracing opportunities to enhance our role in facilitating the green, smart development of the architecture industry in our key markets across China, Southeast Asia and MENA. As we extend our market in the GBA, we will progress in leading the digital-build and green development, enrich our portfolio, and stimulate further business growth in Mainland China.

We expect to leverage our expertise to create more sustainable benefits for our stakeholders and strengthen business operations and industry influence to provide customised services for our clients.

Deepening digital transformation will still be our priority as we strive toward modernised working modes in the pursuit of a greener world. We reaffirm our ambition to pioneer in developing advanced projects to realize smart construction while showing unwavering commitment to excellence of the Company.

Carbon neutrality will play an essential role while we embed the resilience standard in buildings and boost the living experience for people by providing a sustainable built environment. Our professionals will continue researching eco-friendly building materials and modes and solidifying our strategic ties with academic institutions including Shenzhen University for knowledge exchanges and academia-industry collaborations.

Overall, the Group will be steadfast to accelerate the sustainable transformation globally through our design, invest in future-oriented projects despite the challenging market and remain optimistic to realise our next phase of growth amid uncertainties.

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) were approximately HK$145.8 million.

On 31 March 2022, the Board resolved to change the use of the remaining unutilized net proceeds ("Net Proceeds") 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"). For details of such change, please refer to the announcement of the Company dated 14 April 2022. The below table sets out the use of the Net Proceeds and the unutilized amount as at 31 December 2022:

	Planned use of Net Proceeds HK$ million	**Revised use of the net proceeds** HK$ million	**Actual use of Net Proceeds up to 31 December 2022** HK$ million	**Unutilized use of Net at Proceeds as 31 December 2022** 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	42.5	–
To expand the offices of the Group in order to maximise the benefits from the established and expanding client network	13.0	13.0	13.0	–
To enhance the Company's information technology infrastructure and working capital	6.0	60.3	34.7	25.6
For potential investment opportunities and establishment of business including but not limited to Smart City business	–	30.0	7.6	22.4
	145.8	145.8	97.8	48.0

Note:

(a) It is expected that the unutilised Net Proceeds to be fully utilized to be extended till the end of 2024 in view of the current market circumstances and is subject to change depending on the market conditions and developments at the relevant times.

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 summarized 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, authorized 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 arrange 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 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 2022 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 2022. 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 2022, 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 2022, 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 2022, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2022, 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 2022 (2021: Nil).

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2022 (2021: Nil).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group provides guarantees amounted to HK$6,551,000 (2021: HK$4,136,000) to secure services performance bonds issued by a bank on behalf of a performance obligation on certain projects of a subsidiary.

COMMITMENTS

As at 31 December 2022 and 2021, 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 2022, the Group employed around 1,130 (2021: around 1,450) 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.

Huya Headquarters, Foshan, China

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liang Ronald（梁鵬程）, aged 73, 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 47 years of experience in the architectural service industry with 42 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. He also holds memberships in 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 Jiang Tao（劉江濤）("Mr. JT Liu"), aged 53, was appointed as a co-chairman and executive Director on 16 June 2022. Mr. JT Liu graduated from Chongqing Institute of Architecture and Civil Engineering (currently named as Chongqing University), specialised on heating, ventilation and air conditioning in 1992. He was awarded a Master of Business Administration from Guanghua School of Management of Peking University.

Mr. JT Liu is currently the chairman of Beijing General Municipal Engineering Design & Research Institute ("BMEDI"). BMEDI is a subsidiary of Beijing Enterprises Group Company Limited ("BEGCL"), and is the holding company of Beijing Design Group Limited, one of the substantial Shareholders of the Company. Mr. JT Liu was the general manager of Beijing Gas and Heating Engineering Design Institute in 2012. He was the deputy general manager of Beijing Gas Group Co., Ltd. and the deputy general manager of Beijing Beiran Enterprises Group Co., Ltd. in 2015. He was the general manager of Beijing Enterprises Smart City Technology Development Co., Ltd. in 2020.

Mr. JT Liu is a professor-level senior engineer and registered consulting engineer and has accumulated nearly 30 years of experience in urban heating, comprehensive utilisation of gas and energy, smart city research, engineering design and management. Mr. JT Liu served as the deputy director of Safe & Security Management Committee of China Gas Association (中國城市燃氣協會安全委員會副主任), council member of Beijing Gas Association (北京市燃氣協會常務理事), and director of Beijing Work Safety Association (北京市安全生產聯合會理事). He participated in major planning, feasibility studies, scientific research projects, standardised specification and compilation, design, implementation and management work on engineering projects and he won a number of invention and patents and industry enterprise awards.

Mr. Fu Chin Shing（符展成）, aged 56, 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 over 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 58, 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 and a Chartered Membership of the Royal Institute of British Architects in 2022. 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 council member of Shenzhen Exploration & Design Association (深圳市勘察設計行業協會常務理事) since 2019 and an advisor of the postgraduate studies in Shenzhen University. 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 59, 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 54, 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 27 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 63, 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 Talent Property Group Limited (stock code: 760), Tibet Water Resources Ltd. (stock code: 1115) and China New Town Development Company Limited (stock code: 1278), and is a non-executive director of SY Holdings Group Limited (formerly known as Sheng Ye Capital Limited) (stock code: 6069). Mr. Lo was also an independent non-executive director of Shandong Weigao Group Medical Polymer Company Limited (stock code: 1066) since 2009 till June 2022. The shares of these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Yu Chi Hang (alias, Yue Chi Hang)（余熾鏗）, aged 73, 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 53, 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 53, 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 25 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), 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) and a member of the 11th CPPCC National Committee in Baiyun District, Guangzhou City (中國人民政治協商會議廣州市白雲區委員會委員). He is also a class 1 registered architect in Mainland China.

Mr. Ng Kwok Fai（吳國輝）, aged 52, 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 27 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 47, 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 46, 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 almost 25 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 58, 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 31 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 58, 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 25 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

Zhongshan OCT Harbour, Zhongshan, China

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

We are thrilled to present the Environment, Social and Governance ("ESG") Report (the "Report") of C Cheng Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), covering the period from 1 January to 31 December 2022 unless otherwise specified. Our principal business is basically to provide comprehensive architectural services and building information modelling ("BIM") services. The report covers our business in Hong Kong and Mainland China as well as Middle East and North Africa ("MENA") and South East Asian region with Dubai, Riyadh, Singapore and Manila offices in addition to present our approach to sustainability, key performance during the year, as well as plans and targets for the future.

This Report was prepared in compliance 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 Main Board of 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 to allow for meaningful comparison of data with previous period.

We have applied the reporting principles of materiality; quantitative; balance and consistency. With the aim of delivering meaningful and decision-useful ESG information, we have been collecting both qualitative and quantitative data for the Report, formulating, implementing and monitoring policies. In line with board governance of ESG issues, this Report was reviewed and approved by our Board of Directors (the "Board") on 29 March 2023.

OUR BUSINESS

The principal business of the Group is basically to provide comprehensive architectural services and BIM services. 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.

Our main operating company, LWK + PARTNER, is one of the world's largest architectural practices, commencing operations in 1985. LWK has achieved extensive business success in the Greater China region with offices in Hong Kong, Shenzhen, Beijing, Guangzhou, Shanghai, Chongqing and Macau, and has expanded to cover MENA and South East Asian region with Dubai, Riyadh, Singapore and Manila offices.

We are grateful to announce that LWK + PARTNERS was again ranked the world's top 100 architecture firms in 2022 by World Architecture 100 and one of the Top 10 Architects Hong Kong in BCI Asia Awards 2022. Such an honor and recognition for the teamwork and efforts of our colleagues, as well as all the support along from our partners, to help LWK + PARTNERS keep growing as a global industry leader. In addition, LWK + PARTNERS was being celebrated for its pioneering design solutions that are changing the way we think about Master Planning developments across the Kingdom of Saudi Arabia by winning Best Master Planning Consultancy KSA 2022 at the International Business Magazine Awards. This truly echoed core values of LWK + PARTNERS for sustainability, contextuality of placemaking, experientiality, mobility and connectivity. Offering future inhabitants of their designs, innovative and human focused solutions that enhance quality of life and enrich day-to-day living.

LWK +PARTNERS

WA 100 2022

OUR APPROACH

ESG performance is one of the key criteria for corporations to demonstrate corporate social responsibility. The Group is committed to running a sustainable business in a responsible and transparent manner. The Board has a collective responsibility to take a leadership role in overseeing ESG strategy and reporting. A top-down approach can ensure ESG considerations being embedded in the business decision-making process which create value for communities and the environment, but not for shareholders alone, and to act ethically in their interactions with governments, suppliers and consumers.

The Group also sets the overall strategic goals, supervises management effectiveness, and ensures operational reliance and compliance with the relevant legal and regulatory requirements. Both qualitative information and quantitative data have been collected for this ESG report to demonstrate the ESG performance of the Group and its commitment to sustainability.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group believes that through understanding of its stakeholders' expectation and concerns with regards to its business development strategies, risk management measures and internal control systems is a critical success factor of a responsible business enterprise. To foster the collaborative relationship with its stakeholder, the Group continuously interacts with key stakeholders groups and integrates their sustainability considerations into its operations to create shared value for our stakeholders. In this connection, the Group actively promotes stakeholders relationships. The engagement channels with stakeholders include general meetings, corporate website, community activities, regular communication with employees, performance appraisal reviews and networking with business partners. The Group will continuously strengthen its stakeholder engagement process to closely address stakeholders' concern and review its ESG goals accordingly for continuous improvement.

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 below identified material issues were reviewed and addressed. 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 Broad of the Group recognizes that climate change is the most significant challenge in achieving sustainable development. Climate-related risks not only affect enterprise's long-term sustainability and profit but also how such risks are managed would affect the growth of the enterprise. With the aim of overcoming this raising challenge, the Broad is committed to create sustainable value, and plays an active role in giving back to our community and our planet. The Group strives to 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. The approach includes to minimise or, ultimately, to prevent any environmental impacts from its operation, activities, products and services.

The Group has implemented the ISO14001 Environmental Protection System and has awarded the ISO 14001:2015 certification since 2018 which accredited by Hong Kong Quality Assurance Agency. We prevent and mitigate adverse environmental impacts in a systematic way through environmental impact assessments, mitigation measures, and regular environmental monitoring and audits. In addition, as a corporate member, we actively participate and support the green initiatives of China Green Building (Hong Kong) Council and Hong Kong Green Building Council. The Group will continuously reinforce environmental protection and reduce any possible environment impact wherever technically and economically viable according to the international standard.

CERTIFIED COMPANY HKQAA
ISO 14001 : 2015
Certificate No.: CC 6523

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 operation of the Group. 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 36
A2.2	Water consumption	Not applicable while insignificant
A2.3	Energy use efficiency	Page 36
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 37

Emissions

Efficient use of energy and carbon emissions reduction are crucial for sustainability. 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. In this connection, KPIs A1.1 (types of emissions and respective emissions data), A1.3 and A1.4 (total hazardous waste and non-hazardous waste produced) are insignificant to the Group's operation and have not been disclosed in this Report. However the Group acknowledged that our daily business consume paper, printed matters and marketing materials, it were one of the non-hazardous wastes. With the aim to eliminate the waste and protect our environment, the Group set a reduction target to minimize the consumption and monitor the usage by monthly recording. In addition, the Group encourages staff to reuse, reduce and recycle as well using FSC certified printing materials. The Group also gradually transforms our marketing materials in electronic version from printed version.

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 1,320,577 kWH (2021: 1,372,782 KWh) supplied by the relevant companies.

Office	**Electricity Consumption (kWH)**
Hong Kong	459,282
Mainland China	853,965
MENA	7,330

The CO_2 equivalent emission was 694,060 kg which covered total floor area of 16,859 square-meter office of Hong Kong, Mainland China and MENA (2021: 723,393 kg which covered total floor area of 16,859 square-meter office in Hong Kong). To foster the emission mitigation KPI A1.5, the Group set a reduction target for conscious consumption of electricity and record the consumption monthly. We actively promote and adopt energy conversation measures to prevent and reduce GHG emission in workplaces including but not limited to procuring more energy-efficient equipment and using energy saving bulbs/LED lamps instead of traditional lamps as well as distributing regular energy conversation measures notice to all staff.

Non-hazardous waste category	**Quantity**	**Unit**
CO_2 equivalent emissions	694,060	kg
Intensity – Unit per office space	41.17	M^2

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

To advocate the conscious use of energy, the Group has supported WWF's Earth Hour 2022 which was held on 26 March 2022 by switch off the lightings for an hour during the night to advocate "Habits Protect Habitats".

Global community continued to experience harmful effects from climate change associated with extreme weather events around the world. The HKSAR Government has published Hong Kong's Climate Action Plan 2050 to achieve carbon neutrality before 2050. The Group views this is a great business opportunity by allocating a robust resource for green construction practice.

We believe that zero energy buildings key to sustainable and human-friendly future, an energy-efficient building envelope goes a long way towards designing successful green buildings in the shift towards carbon neutrality. Our Design Research Director Professor Stephen Lau shared his insight on how to design zero energy buildings that serve decarbonisation purposes while providing occupants with a thermally comfortable environment in Window & Façade Magazine, a renowned for its global influence on future façades and fenestrations. Stephen wrote that "Passive design features involving the building form and fabric, overhangs and shading devices form the core of all energy-saving approaches,". He also explained that how active designs like Internet of Things ("IoT") systems are useful for augmenting passive ones in boosting a building's energy performance. IoT sensors capture a wide range of real-time environmental data which can be fed back to smart building management systems to prompt adaptive responses, creating a smart responsive environment.

Use of Resources

The Group is committed to conscious use of resources. The major energy consumption is the electricity consumption in its workplace. The total electricity consumption was 1,320,577 kWh for Hong Kong, Mainland China and MENA (2021: 1,372,782 kWh for Hong Kong), with an energy intensity of 78.33 kWh/m^2 for Hong Kong, Mainland China and MENA (2021:77.20 kWh/m^2 for Hong Kong). In order to reduce electricity consumption in workplace, an energy conservation measures have been implementing. The measures including but not limited to adopt energy-efficient equipment, install 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	1,320,577	kWh	1,193
Energy intensity	78.33	Kwh/m^2	0.069

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.

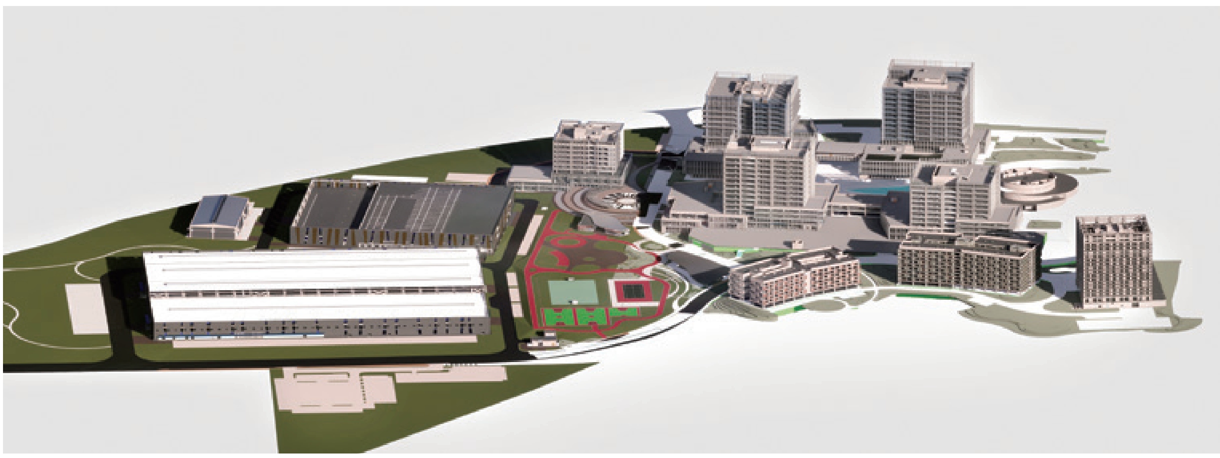
Environment and Natural Resources

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.

The Group acknowledges that global climate change impacts every industry, including the Group, it is crucial for the Group to react fast to mitigate the risk associated with climate change. As a responsible business enterprise, conscious use of natural resources and mitigation of greenhouse emission is our commitment. The Group also keen to explore an state-of-the-art and advanced technologies such as BIM and MiC to develop its business in creating a low carbon community through green construction practices towards sustainability.

Plans for a new Northern Metropolis was revealed in the 2021 Policy Address by Hong Kong SAR's Chief Executive, laying out an ambitious blueprint for the next 20 years and beyond in the area with a strong bearing on its spatial structure, people's way of living and urban-rural dynamics. This vision opens up remarkable space for imagination for urban planning and architecture at the same time. LWK + PARTNERS Hong Kong studio leading collaborations with major developers, sees promising potential in the plan pertinent to a prospering Guangdong-Hong Kong-Macao Greater Bay Area. We are working on different types of projects within the Metropolis – Hong Kong's biggest hotspot of urban and population growth in the coming 20 years and strive in letting Hong Kong's Northern Metropolis be the future of eco-cities.

The Group's business arm in BIM service namely isBIM Limited celebrated another victory for leading the BIM consultation for a decisive mega project of the Guangdong Province – the Zhongshan Innovation and Technology Park. The Zhongshan Innovation and Technology Park is a joint project of the Zhongshan Municipal Government, the Chinese Academy of Sciences, and the Chinese Academy of Engineering Physics. To act on the "Zhongshan Science City" strategy, the Technology Park synthesizes local innovation and research, building a technology hub that integrates infrastructure, research and development, and business incubation. Mr. Elvis Li, Chief Executive Officer of isBIM stated that "We will replicate our previous BIM execution roadmap that brought the Hong Kong Science and Technology Park into reality," and "Our experience suggests that BIM cuts 95% of rework costs while improving the efficiency of project coordination and data management." It will be a new landmark of science and technology innovation with an unmatched global presence in Greater Bay Area.



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 also participated the "Printed Waste Recycling Campaign" which organized by "Mil Mill" and Harbour City in promoting clean recycling and encourage waster separation practices. All collected printed waste had been sent to "Mil Mill" for further processing and transforming into paper pulp for recycled paper products.

In conclusion, the Group is committed embedding sustainability into the Group's business strategies and operations with toward innovation 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 40
B1.2	Employee turnover rate	Page 41
B2	Health and Safety policies & standard	Page 43
B2.1	Number and rate of work-related fatalities	No work-related fatalities in the past 3 years
B2.2	Lost days due to work injury	No lost day due to work injury
B2.3	Occupational health & safety measures	Page 43
B3	Development and Training	Page 44
B3.1	Percentage of employees trained	Page 45
B3.2	Average training hours	Page 45
B4	Labour Standards	
B4.1	Avoid child & forced labour	No child & forced labour employment
B4.2	Steps taken to eliminate child & forced labour	Page 46
B5	Supply Chain Management	
B5.1	Number of suppliers by geographical region	Page 46
B5.2	Suppliers engagement	Page 46
B5.3	Practice used to identify environmental and social risks	Page 46
B5.4	Practice used to promote environmentally preferable products and services	Page 46
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 47
B6.5	Data Protection and privacy policies	Page 47
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 48
B7.3	Anti-corruption training	Page 48
B8	Community Investment	
B8.1	Focus areas of contribution	Page 49
B8.2	Resources contributed on focus area	Page 49

Employment and Labour Practices

The Group understands an agile, inclusive and sustainable workforce is our utmost important asset to support business expansion strategy of the Group. We strive to treat our colleagues fairly, reward their performance and take care of their wellbeing, while listening and responding to their needs. We not only offer competitive remuneration packages but also provide an extensive career-development opportunity in order to attract and retain the right talent. Our Chief Executive Officer of the Group, Mr. Ivan Fu joined LWK + PARTNERS as Architectural Assistant since his graduation in 1991. He recently directs and manages the Group's strategic development in multi-disciplines. This demonstrate the Group has provide an extensive career development opportunity to the young talent.

Furthermore, the Group actively participates and supports the graduation show of architectural graduates of local universities through sponsorship in order to meet with students and alumni who are interested to learn more about our projects and available opportunities to work with one of the top 100 architectural practices in the world. In March 2022, we joined the 2022 edition of American University of Sharjah Careers Forum and Career Fair. Mr. Kerem Cengiz, our MENA Managing Director, spoke at the Forum on how the industry and educational institutions can support each other in the pursuit of a more diverse and sustainable working environments that attracts talents and retains them.

As of 31 December 2022, the Group has employed around 1,130 (2021: around 1,450) full-time staff in its office in its offices in Hong Kong, Mainland China, Southeast Asia and MENA.

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

	Regional Distribution	
	2022	2021
Hong Kong	**35%**	34%
Mainland China	**61%**	62%
Southeast Asia	**3%**	3%
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. These commitments were all well documented in Staff Office Handbook to communicate in defining the expectations of both the management and the employees.

Gender equality is seen as both a fundamental human right and an essential foundation for a peaceful, prosperous and sustainable world. The Group supports gender equality by adopting 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. To show our genuine support, we joined the first FEMINISM Defined: Bringing ALL to the conversation of Gender Equality conference hosted by Emma Burdett from WILD – Women in Leadership Deliver in partnership with Arabian Business. Our MENA Managing Director Kerem Cengiz took part in a panel discussion and talked about Challenges and Opportunities, Best Practice, Inclusive Teams, Male Allies and how businesses, governments and education, needs to support each arm of society to further the cause. Also, our senior management position in the Group are held by female who are responsible for Groups' strategic development.

Staff turnover rate among managerial positions is relatively low, reflecting a high level of employee satisfaction and engagement with the Group. As at 31 December 2022, the annual turnover rate of the Group is as below.

Position Grade	Male	Female	Sub-total
2022			
Senior Management	3%	1%	4%
Middle Management	16%	6%	22%
General Management	48%	26%	74%
Total	67%	33%	100%
2021			
Senior Management	1%	0%	1%
Middle Management	4%	1%	5%
General Management	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)

			Age			
Position Grade	**30 & Below**	**31-40**	**41-50**	**51-60**	**60 & above**	**Sub-total**
2022						
Senior Management	**0%**	**1%**	**3%**	**1%**	**0%**	**5%**
Middle Management	**0%**	**5%**	**4%**	**1%**	**0%**	**10%**
General Employees	**44%**	**30%**	**8%**	**2%**	**1%**	**85%**
Total	**44%**	**36%**	**15%**	**4%**	**1%**	**100%**
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%

Number of Employees (divided by position grade and education)

	Education					
Position Grade	Master or above	Bachelor	College	Technical Institute	Secondary School or below	Sub-total
2022						
Senior Management	**2%**	**3%**	**0%**	**0%**	**0%**	**5%**
Middle Management	**5%**	**6%**	**0%**	**0%**	**0%**	**11%**
General Employees	**9%**	**43%**	**30%**	**2%**	**0%**	**84%**
Total	**16%**	**52%**	**30%**	**2%**	**0%**	**100%**
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%	100.00%

Number of Employees (divided by position grade and gender)

Position Grade	Male	Female	Sub-total
2022			
Senior Management	**4%**	**1%**	**5%**
Middle Management	**9%**	**2%**	**11%**
General Employees	**56%**	**28%**	**84%**
Total	**69%**	**31%**	**100%**
2021			
Senior Management	4%	1%	5%
Middle Management	9%	3%	12%
General Employees	56%	27%	83%
Total	69%	31%	100.00%

Health and Safety

The Group understood that agile, inclusive and sustainable workforce is a building block of success and competitiveness. Thus, the Group upholds the "People-oriented" concept in providing 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. In response to the COVID-19 pandemic during the reporting period, the Group has also established an effective reporting mechanism in arranging employees who are infected/affected by COVID-19 to minimize the impact to our business, other employees, the business partners of the Group and the general public.

Improvement of workplace quality is one of the Group's utmost priority, workplace quality has been continually improved since 2018. As the company's scale of development continues to expand, isBIM wholly subsidiary Shenzhen Qianhai JARVIS has relocated to a new office in Panyu District of Guangzhou, Mainland China in December 2021. As a leading Architecture, Engineering and Construction (the "AEC") IT company, the new office's creative interior style reflects its unique character. A new location, same intention. We will continue to serve with ingenuity and serve as the pioneer of the AEC IT industry.

Comprehensive employee fringe benefit boosts job satisfaction, the Group offers a wide range of fringe benefits in addition to the statutory requirement. Staff entitles for group medical insurance, personal accident insurance, allowance for training and transportation and additional annual leave as well as other pay leaves to serve his personal and family needs. In addition, the Group was awarded a Good MPF Employer in 5th years to recognize its effort in providing a good retirement scheme.

During the reporting period of 2022, the Group are pleased to maintain zero occurrence of work-related accidents and injuries. Thus no lost days due to work injury. The Group has achieved zero work-related fatalities in the past three years.

The Group also promotes health and work-life balance inside the workplace. A Green Monday wellness programme had been introduced since 2021. A variety of nutritious fruit freshly will be shared among staff every week. The easing of social distancing restrictions in last quarter of 2022 allowed us to resume some face-to-face activities. The Group held a Winter Solstice Luncheon in Hong Kong on 22 December 2022. Colleagues in Hong Kong studio had a fabulous luncheon party, in celebration of the Winter Solstice and toasting to a bright beginning to come next year. We arranged a balloon artist relived the time before the party through his skillful twists and ties. Santa Claus' head in his red hat with a white snowball-like puff, the cartoon character Stitch with large blue ears, etc. Most colleagues received unique handmade balloon designs while enjoying the magic art. Besides scrumptious food and beverage, the party was filled with laughter and cheers during lucky draw time, with thrilling prizes presented to winners.

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.

A key training priority is to expand design capabilities to decarbonize 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.

During the Reporting Period, the Group conducted a numerous physical and online training to our staff across our global office network. The physical training hours were 1,210 hours in total, with participation of 489 employees from all levels excluding on-line training hour which is hard to record properly. We again 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. Ronald Liang giving an introduction speech to encourage and recognise all staff for their persistent efforts.

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 to uplift their knowledge and professional qualification on the latest green construction practice.

	Senior Management		**Middle Management**		**General Staff**	
Position Grade	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
2022						
Percentage of Employee Trained	**46%**	**63%**	**68%**	**100%**	**29%**	**55%**
Average Training Hours Completed Per Employee	**2**	**2**	**4**	**4**	**2**	**3**
2021						
Percentage of Employee Trained	71%	10%	80%	100%	42%	39%
Average Training Hours Completed Per Employee	3	4	6	8	2	3

In 2022, the Group continues to be an active contributor in global conferences to pursue a multilateral dialogue and intersectoral collaboration. Our Chief Executive Officer of the Group, Mr. Ivan Fu, who is also Director of Hong Kong's Urban Renewal Fund (URF), attended URF's 10th Anniversary Conference and shared his views on the topic "Urban Interventions for Better Social Fabric and More Sustainable Communities: Reflections and Looking Ahead" with an audience of international experts, scholars, representatives across the public and private sectors and the general public. Ivan discussed the issues of sociocultural sustainability and residents' wellbeing in old urban areas, stressing the importance of public space improvement, public engagement, inheriting local and human characters, environmental protection and carbon neutrality. He also called for all stakeholders, including designers, the government and private organisations, to come together and co-create a strong, dynamic and liveable community for Hong Kong. These discussions are important as they inform current urban regeneration efforts and offered insights to the urban planning of future large-scale communities in Hong Kong in better nourishing people's wellbeing and sense of community.

Professor Stephen Lau, our Design Research Director, also shared his insight on future green and low-carbon architecture design in giving a speech on the topic "How Human Factors Dominated the Architectural Design Paradigm" in "New Thoughts and Practice of Sustainable Design" conference co-organized by Shenzhen University and Japan Nikken Sekkei. All expert speakers will share their academic research and experience on social issues that can press ahead to carbon peak, carbon neutrality, and sustainable development in China. In addition to Professor Lau's speech, Mr. Benjamin Chan, our Director, and Mr. TC Tang, our Associate Director, joined the event roundtable discussion.

Labour Standards

The Group is committed to fully comply 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 support our daily operations, the Group engages over 100 global business partners. They are in the majority located in Hong Kong and the Mainland China. The wide range of business partners in different regions could ensure a consistent and robust supply. We work closely with these partners in order to ensure the success of our business and promote sustainable development. We strive for responsible procurement, an environmental impact together with other selection criteria such as quality, price and punctuality will be taken into account during procurement decision-making process.

The Group places high importance on business ethics, including compliance with applicable laws and regulations, respect for intellectual property rights and data privacy, competitive business practices and prevention of bribery and conflict of interest as well as human and labour rights. The Group also encourages suppliers to observe the same environmental, social, health and safety and governance considerations in their operation plus report publicly on their sustainability performance.

Product Responsibility

The Group is committed to providing an innovative and high-quality product and service to upgrade its customers' experience. We not only strictly comply with all laws and regulations but also adopt ISO system in connection with its daily operation. In addition, we further made its commitment by establishing an industry-academic partnership with Shenzhen University to tackle challenges the world is facing. We collaborate with the Center for Human-oriented Environment and Sustainable Design of Shenzhen University in exploring carbon neutrality design, while isBIM and the Center will focus on computational design advancement. With the integration of technology and design, we are ready to push forward sustainable development in economy, society and environment through breakthroughs in architectural research and practices. 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 brand singularity is the most valuable asset and it is utmost important to the Group, thus we owned and registered several unique trademarks and domain names. The Group is committed to protect our own property and not to infringe upon the rights of third parties in accordance with the Copyright Ordinance of Hong Kong and any applicable laws and regulations of the other applicable regions.

Within the reporting period, there was no infringement case received by the Group. We have Branding Guidelines with centralized library in place to assist our employees in making correct use of such materials.

Data Protection and Privacy

The Group places the high priority 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 Empowerment

Supporting those in need is embedded in the culture and strategies of LWK + PARTNERS, and we have always aspired to build a strong community through our dedication to the vulnerable.

Teaming up with social service organization Street Sleepers Action Committee ("SSAC"), over 20 members from our Hong Kong studio volunteered in SSAC Outing Service to Yau Ma Tei, distributing healthy hot meals and daily supplies to homeless people and low-income groups.

In addition, the Hong Kong team attended the "Construction Industry Lo Pan Rice Campaign 2022" to offer food to disadvantaged groups whose livelihoods were significantly impacted by the COVID-19 pandemic. The team sponsored rice boxes and volunteered in weekly service of free rice box packing and distribution. Besides the care for the vulnerable, preserving natural green spaces through practical actions in the architectural industry is at the core of LWK + PARTNERS values. In keeping with the idea of "giving back to the communities", the MENA team across the Holy Month volunteers to support the UAE's 1 Billion Meals national initiative and was dedicated to a food packaging and distribution drive with over 4,000 iftar meals prepared daily.

Our director Ivan Fu in Hong Kong attended the Community Chest New Territories Walk for Millions 2022 at the Cross Bay Link, Tseung Kwan O, invited by Construction Industry Council ("CIC"). He and other CIC participants completed a 6km walk to raise funds designated to 24 member agencies for family and child welfare services. Further, 27 colleagues from the Hong Kong team, along with their families and friends, restored barren hillsides during the Tree Care Day in partnership with The Green Earth. Team members helped tree seedlings grow healthily by using organic fertilizers and removing weeds, obtaining knowledge about local species and land rehabilitation. Our Hong Kong team's attendance in the Construction Industry Basketball League 2022 initiated by the Construction Industry Sports & Volunteering Program was aligned with our goal to care for the health and life quality of construction practitioners.



Education for Young Minds

LWK + PARTNERS firmly believes that young generations are the forces driving society's growth. We have taken on the responsibility of preparing young people with diverse knowledge and accentuating the value of education through expertise since our establishment.

Partnering with Project WeCan, our Hong Kong team participated in the Job Tasting Program to provide students aged 16 or above with hands-on experience for their careers. The program encompassed every step from job applications to interviews, where students engaged in one-day job shadowing under the guidance of management staff and a two-week internship.

Our Dubai studio supported the American University of Sharjah virtual alumni and cooperate sports challenge "GET ACTIVE FOR EDUCATION", where a team of 6 architects completed sports activities to raise awareness of the significance of education. The team also accomplished a charitable drive of 125 km, contributing to a total fund of around 70,000 AED to support students in fulfilling their tuition fees. We received recognition as Community Builders at the American University of Sharjah Corporate Appreciation Gala 2022. The studio participated in 14 lectures and panel discussions on topics including placemaking, urban design, and VR AI Metaverse & real industry applications to inspire educational advancement. The team also took part in three career fairs across top universities from the MENA Region to support the education sector in the community. Joining podcasts to share insights on architecture for the greater benefit of the community, as well as sitting on the advisory board for universities including Al Ghurair University, the Canadian University Dubai, and Heriot-Watt University were integral parts of our Dubai team's dedication to society. Added to that, our Dubai studio hosted a series of "Lunch & Learn" sessions to impart market knowledge to employees during lunch break, as a critical approach to fostering a culture of continuous learning within the company and engaged with Sikka art fair programme and hosted a workshop for children as part of their engagement program to enrich the connection to art. The workshop engaged the participants senses in a hands on activity to build a physical model based on modules of construction. Kerem Cengiz, our MENA Managing Director, was selected as a member of the RIBA Cultural, Knowledge & Outreach Committee, and will play a key role in promoting the values of architecture and design within society.

isBIM endeavored to accelerate the education on the architectural industry as well, through attending activities held by Shenzhen Experts United Association and the Technology Association in Shenzhen, a seminar organized by Qianhai Hong Kong Chamber of Commerce and Shenzhen BIM Innovation Promotion Association, and other high-profile conferences.

Sustainability Progress

LWK + PARTNERS takes advantage of every platform and opportunity where we can share our sustainable solutions with the community to build a better world, and this principle has been woven into the fabric of our major steps forward every year.

We extended the idea-exchanging experience to online platforms and multi-media forms in 2022 to inspire more. During the research and teaching program co-organized by LWK + PARTNERS and the school of architecture and urban planning at Shenzhen University in 2022, for example, our Design Research Director, Professor Stephen Lau delivered a speech on how architectural design reduces carbon demand and energy consumption and tackles climate changes for sustainable growth. Stephen also joined a discussion on the opportunities and challenges of advancing sustainable cities and exchanged ideas with practitioners in the technology and property sectors at the HKSTP OPENHOUSE run by Hong Kong Science & Technology Parks.

At Graphisoft's Building Together Digital Event, our Project Director Henry Man and Senior Associate CM Chan discussed how BIM accelerates the development of green buildings in Hong Kong. LWK + PARTNERS studios across the globe hosted virtual talks on the role of the company and people in transforming the global market. Topics varied from the power of storytelling in architecture, the adoption of artificial intelligence, and the benefits of BIM design tools, to sustainable future design. Our multimedia exhibition themed around "Care and Evolve" toured Hangzhou, Beijing, New York, and Hong Kong, demonstrating the merits of innovative technology and green design. Our Dubai studio joined the first FEMINISM Defined: Brining ALL to the Conversation of Gender Equality conference for a peaceful world.

CORPORATE GOVERNANCE REPORT

MixCity, Dongguan, China

CORPORATE GOVERNANCE REPORT

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.

(A) CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2022, 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").

CULTURES AND VALUES

A healthy corporate culture across the Group is integral to attain its vision and strategy. It is the role of the Board to foster a corporate culture with the following core principles and to ensure that the vision, values and business strategies of the Company are aligned to it.

1. **Integrity and code of conduct**
   The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the employee handbook (including therein the code of conduct), the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

2. **Commitment**
   The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with the mission of the Group. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

   The Company will continually review and adjust the vision, values and business strategies as required to keep track of changing market conditions and context to ensure that timely and pro-active measures will be taken to mitigate the effect of changes.

(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 2022 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 business and affairs of the Company. The ultimate responsibility for the day-to-day management of the Company is delegated to the chairman, chief executive officer and 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 Jiang Tao (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 2022, 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	6/6	1/1
Mr. Liu Jiang Tao (appointed on 16 June 2022)	2/2	0/0
Mr. Liu Gui Sheng (resigned on 16 June 2022)	1/4	1/1
Mr. Fu Chin Shing	6/6	1/1
Mr. Wang Jun You	6/6	1/1
Mr. Liu Yong	6/6	1/1
Mr. Ma Kwai Lam Lambert	6/6	1/1
Independent Non-Executive Directors		
Mr. Yu Chi Hang	6/6	0/1
Mr. Lo Wai Hung	6/6	1/1
Ms. Su Ling	6/6	1/1

Board Diversity Policy

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

For the year ended 31 December 2022, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. The Board Diversity Policy was consistently implemented. As at the date of this report, the Board consists of one female and eight male Directors. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory.

The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. Currently, the male to female ratio in the workforce of the Board and Senior Management is approximately 73%:27% while the male to female ratio in the workforce of the Group including Senior Management is approximately 69%:31%. The Board considers that the gender diversity in workforce is currently achieved.

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 2022.

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, interim results of the Group for the period end 30 June 2022 and the audited annual results of the Group for the year ended 31 December 2022.

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 2022. 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

The worked performed by the Remuneration Committee during the year ended 31 December 2022 comprises: (1) reviewed the remuneration of Directors and senior management of the Group; and (2) assessed and approved the terms of executive Directors' service contracts.

Three meetings were held by the Remuneration Committee for the year ended 31 December 2022 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	3/3
Mr. Fu Chin Shing	3/3
Mr. Lo Wai Hung	3/3

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 recognizes 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

The work performed by the Nomination Committee during the year ended 31 December 2022 comprises: (1) to assess the independence of each independent non-executive Director; (2) to review the structure, size and composition of the Board; and (3) to make the recommendation of re-election of retireing Directors to the Board.

Two meetings were held by the Nomination Committee for the year ended 31 December 2022 and the record of attendance of each member of the Nomination Committee is set out as follows:

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

Investment Committee

The Company has established the Investment Committee on 11 May 2017 with terms of reference adopted on 29 August 2017. The 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 Jiang Tao (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 2022 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 Jiang Tao (appointed on 16 June 2022)	0/0
Mr. Liu Gui Sheng (resigned on 16 June 2022)	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 2022, 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.

Whistleblowing Policy

The Board adopted a whistleblowing policy (the "Whistleblowing Policy") in March 2022. The purpose of the Whistleblowing Policy is to encourage employees of the Group and related third parties to raise concerns, in confidence, about misconduct, malpractice or irregularities in any matters in relation to the Group.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the Compliance Department and the Audit Committee of the Group. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 December 2022 has been discovered. The Whistleblowing Policy is reviewed periodically to ensure its effectiveness.

Anti-corruption Policy

The Board adopted an anti-corruption policy (the "Anti-corruption Policy") in March 2022. The Group is committed to upholding high standard of business integrity, honesty and transparency in all its business dealings. The Anti-corruption Policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, the Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group.

The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

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 2022 and 2021 respectively are analysed as follows:

Services rendered	Fees paid/payable 2022 HK$'000	2021 HK$'000
Audit services	**1,500**	1,898
Non-audit services	**380**	408
	1,880	2,306

(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 is at least 14 clear days' notice in writing.

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

On 8 June 2022, the shareholders of the Company have approved at the AGM by a special resolution to adopt the second amended and restated articles of association of the Company in order to: (i) reflect certain amendments in the applicable laws of Cayman Islands and the Listing Rules; and (ii) make other consequential and housekeeping changes. Details of the amendments made to the previous articles of association of the Company were set out in the circular of the Company dated 29 April 2022. The memorandum of association and second amended and restated articles of association of the Company are available on both the websites of the Company and of the Stock Exchange.

DIRECTORS' REPORT

West Huashan Unipark, Jinan, China

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2022.

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 2022 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 87 to 163.

The Board has resolved not to recommend the payment of any dividend in respect of the year ended 31 December 2022 (2021: Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 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 37 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China, Hong Kong and MENA while the Company itself is listed on the Stock Exchange in Hong Kong. Our establishment and operations accordingly shall comply with relevant laws and regulations in Mainland China, Hong Kong and MENA. During the year ended 31 December 2022 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 2022 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 54 to 65 of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Human resources are one of the most valuable assets of the Group. The Group also offers competitive remuneration packages to our employees. Details of the "Employment and Labour Practices" are set out in the section headed "B. Social Performance" in the Environmental, Social and Governance Report on pages 38 to 51 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 2022 are set out in Note 12 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 28 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 89 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$281,147,000 (2021: HK$271,678,000). 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 Jiang Tao (Co-chairman) (appointed on 16 June 2022)
Mr. Liu Gui Sheng (Co-chairman) (resigned on 16 June 2022)
Mr. Fu Chin Shing (Chief Executive Officer)
Mr. Wang Jun You
Mr. Liu Yong
Mr. Ma Kwai Lam Lambert

Independent non-executive Directors

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

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

In accordance with the provisions of the Articles, Mr. Liu Jiang Tao, Mr. Fu Chin Shing, Mr. Liu Yong and Ms. Su Ling 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 2022, 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)	22,190,000	Long	7.69%
	The Company	Beneficial owner (Note 8)	1,100,000	Long	0.38%

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 22,190,000 shares and share options held by Mr. Wang Jun You under the SFO.
8. It represents the interest in 200,000 shares and the interest in 900,000 underlying shares upon exercise of the share options granted under the Share Option Scheme.

Save as disclosed above, as at 31 December 2022, 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 2022, 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	7,800,000 (Note 1)	2.70%
	The Company	Interest of spouse	200,000 (Note 2)	0.06%
	The Company	Interest of spouse	900,000 (Note 1)	0.31%
Ma Kwai Lam Lambert	The Company	Beneficial interest	250,000	0.08%
	The Company	Beneficial interest	3,000,000 (Note 1)	1.04%

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

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

(2) Short positions

Save as disclosed above, as at 31 December 2022, 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 29 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	Vesting period	Exercise period	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	24/11/2017 to 27/9/2022	28/9/2022 to 27/9/2024	HK$2.49	3,500,000	–	–	–	3,500,000
	1/11/2018	13/12/2018 to 31/10/2023	1/11/2023 to 31/10/2025	HK$2.334	3,500,000	–	–	–	3,500,000
	28/11/2019	5/2/2020 to 27/11/2022	28/11/2022 to 27/11/2024	HK$1.55	5,000,000	–	–	–	5,000,000
	23/12/2020	5/3/2021 to 22/12/2023	23/12/2023 to 22/12/2025	HK$0.88	5,000,000	–	–	–	5,000,000
– Fu Chin Shing	28/9/2017	24/11/2017 to 27/9/2022	28/9/2022 to 27/9/2024	HK$2.49	2,800,000	–	–	–	2,800,000
	1/11/2018	13/12/2018 to 31/10/2023	1/11/2023 to 31/10/2025	HK$2.334	2,800,000	–	–	–	2,800,000
	28/11/2019	5/2/2020 to 27/11/2022	28/11/2022 to 27/11/2024	HK$1.55	3,500,000	–	–	–	3,500,000
	23/12/2020	5/3/2021 to 22/12/2023	23/12/2023 to 22/12/2025	HK$0.88	3,500,000	–	–	–	3,500,000
– Wang Jun You	28/9/2017	28/9/2017 to 27/9/2020	28/9/2020 to 27/9/2022	HK$2.49	1,800,000	–	–	(1,800,000)	–
	1/11/2018	1/11/2018 to 31/10/2021	1/11/2021 to 31/10/2023	HK$2.334	2,200,000	–	–	–	2,200,000
	28/11/2019	28/11/2019 to 27/11/2022	28/11/2022 to 27/11/2024	HK$1.55	2,800,000	–	–	–	2,800,000
	23/12/2020	23/12/2020 to 22/12/2023	23/12/2023 to 22/12/2025	HK$0.88	2,800,000	–	–	–	2,800,000
– Ma Kwai Lam Lambert	28/9/2017	28/9/2017 to 27/9/2020	28/9/2020 to 27/9/2022	HK$2.49	1,000,000	–	–	(1,000,000)	–
	1/11/2018	1/11/2018 to 31/10/2021	1/11/2021 to 31/10/2023	HK$2.334	1,000,000	–	–	–	1,000,000
	28/11/2019	28/11/2019 to 27/11/2022	28/11/2022 to 27/11/2024	HK$1.55	1,000,000	–	–	–	1,000,000
	23/12/2020	23/12/2020 to 22/12/2023	23/12/2023 to 22/12/2025	HK$0.88	1,000,000	–	–	–	1,000,000
Senior management and other employees	28/9/2017	28/9/2017 to 27/9/2020	28/9/2020 to 27/9/2022	HK$2.49	10,140,000	–	–	(9,940,000)	200,000
	1/11/2018	1/11/2018 to 31/10/2021	1/11/2021 to 31/10/2023	HK$2.334	4,100,000	–	–	–	4,100,000
	28/11/2019	28/11/2019 to 27/11/2022	28/11/2022 to 27/11/2024	HK$1.55	4,100,000	–	–	–	4,100,000
	23/12/2020	23/12/2020 to 22/12/2023	23/12/2023 to 22/12/2025	HK$0.88	3,500,000	–	–	–	3,500,000
					65,040,000	–	–	(12,740,000)	52,300,000

There was no share options being exercised in 2022. As at report date, 52,300,000 shares are issuable for options granted under the Share Option Scheme, representing approximately 18.14% 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 73,300,000 shares representing approximately 25.43% 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 2022.

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 2022, 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

Pursuant to Rule 13.51B(1) of the Listing Rules in 2022, changes in the information of the Directors as notified to the Company are set out below:

Mr. Lo Wai Hung, an independent non-executive director of the Company, resigned as an independent non-executive director of Shandong Weigao Group Medical Polymer Company Limited (stock code: 1066) with effect 6 June 2022.

Mr. Liu Gui Sheng resigned as the executive Director of the Company and the co-chairman of the Board and the chairman of the Investment Committee with effect from 16 June 2022. The positions of the executive Director, the co-chairman of the Board and the chairman of the Investment Committee were taken up by Mr. Liu Jiang Tao on the same date.

Save as disclosed above, as at the date of this report, there is no other information which was required to be disclosed by the Directors pursuant to Rule 13.15(B)(1) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/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 2022, the service fees receivable from BMEDI under the Framework Agreement amounted to approximately HK$3,161,000, while the annual cap for the continuing connected transactions for the year ended 31 December 2022 was RMB10,000,000 (equivalent to approximately HK$11,660,000).

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 2022.

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 2022 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$25,000 (2021: HK$594,000).

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 2022, the aggregate revenue attributable to the Group's five largest clients represented approximately 24.0% of the Group's total revenue. The revenue attributable to the Group's largest client represented approximately 6.8% of the Group's total revenue for the same period.

For the year ended 31 December 2022, the aggregate sub-consultancy fee paid to the Group's five largest suppliers represented approximately 1.8% of the Group's total costs of services. The sub-consultancy fee to the Group's largest supplier represented approximately 0.7% 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 2022 have been audited by Ernst & Young who would retire at the 2023 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 2023 AGM.

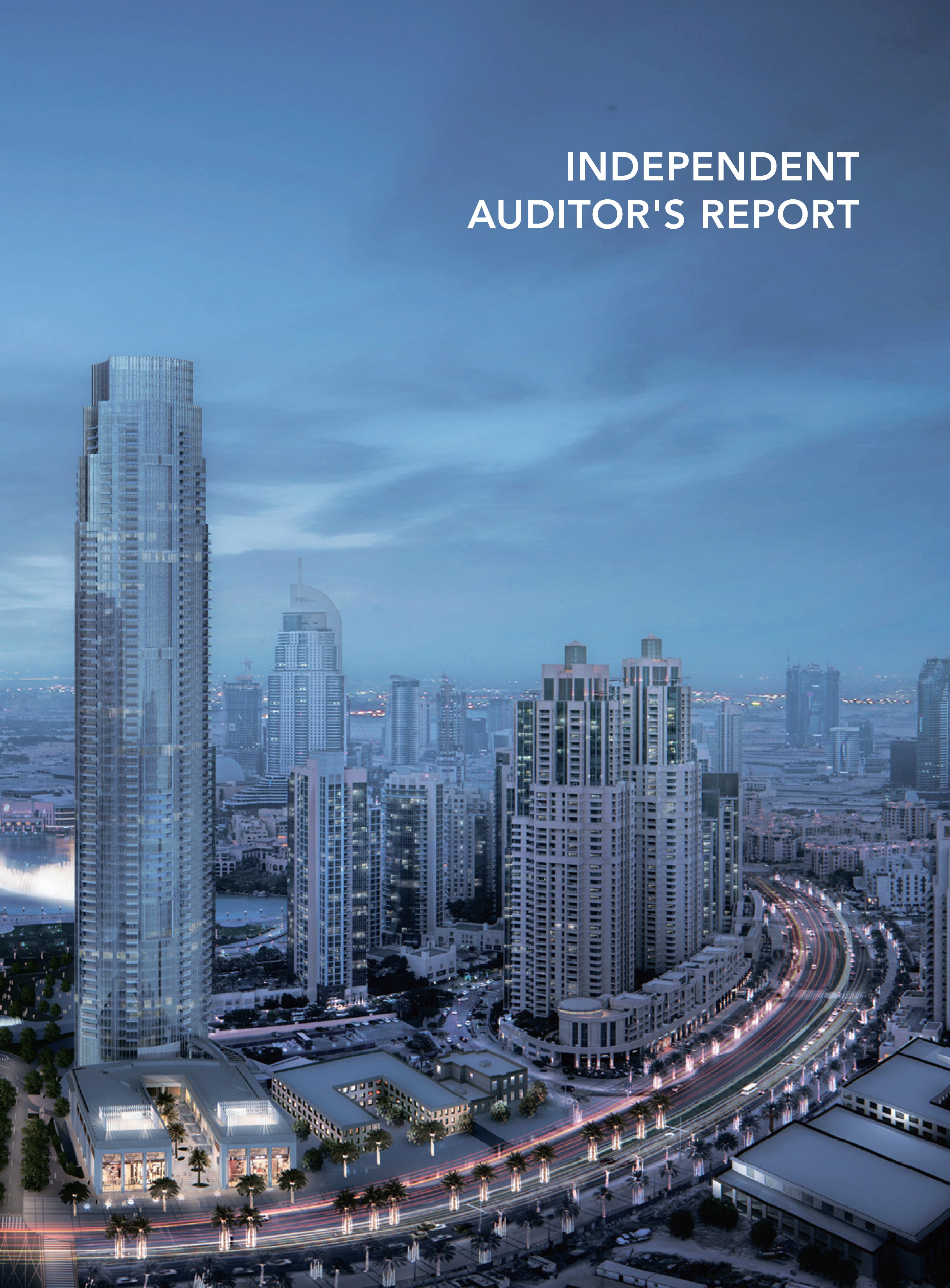
Messers. Deloitte Touche Tohmatsu ("Deloitte") has resigned as auditor of the Company with effect from 17 January 2020 and Ernst & Young has been appointed as the auditor of the Company to fill the casual vacancy following the resignation of Deloitte. Save as disclosed herein, the Company has not changed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

On behalf of the Board

Mr. Liang Ronald
CHAIRMAN

29 March 2023

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 86 to 163, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2022, 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$682,667,000 for the year. Among which, HK$658,685,000 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 2022, the carrying amounts of the Group's trade receivables and contract assets were HK$213,851,000 and HK$268,121,000, which represented approximately 26% and 32% of total assets of the Group, respectively. As at 31 December 2022, the loss allowances of trade receivables and contract assets amounted to HK$13,246,000 and HK$4,459,000, 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, 20, 21 and 38 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

29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022 HK$'000**	2021 HK$'000
Revenue	4, 5	**682,667**	861,990
Cost of services		**(574,240)**	(699,260)
Gross profit		**108,427**	162,730
Other income and gains, net	5	**15,258**	12,730
Loss on fair value changes of financial assets at fair value through profit or loss		**(2,849)**	(550)
Impairment losses on financial and contract assets, net	7	**(5,100)**	(5,207)
Administrative expenses		**(120,547)**	(154,278)
Share of loss of a joint venture		**(8)**	(490)
Share of loss of an associate		**(168)**	(12)
Finance costs	6	**(4,914)**	(5,160)
(Loss)/profit before tax	7	**(9,901)**	9,763
Income tax expense	9	**(1,235)**	(5,258)
(Loss)/profit for the year		**(11,136)**	4,505
Other comprehensive (loss)/income			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(18,024)**	8,439
Other comprehensive (loss)/income for the year, net of tax		**(18,024)**	8,439
Total comprehensive (loss)/income for the year		**(29,160)**	12,944
(Loss)/profit for the year attributable to:			
Owners of the Company		**(18,797)**	(1,139)
Non-controlling interests		**7,661**	5,644
		(11,136)	4,505
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(36,585)**	7,132
Non-controlling interests		**7,425**	5,812
		(29,160)	12,944
Loss per share attributable to owners of the Company			
Basic (HK cents)	10	**(6.52)**	(0.40)
Diluted (HK cents)	10	**(6.52)**	(0.39)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	12	**72,771**	124,798
Goodwill	14	**15,287**	15,655
Intangible assets	15	**10,230**	11,434
Investment in a joint venture	16	**3,822**	4,156
Investment in an associate	17	**164**	355
Prepayments and deposits	19	**11,260**	11,870
Deferred tax assets	27	**8,364**	6,726
Total non-current assets		**121,898**	174,994
Current assets			
Trade receivables	20	**213,851**	228,442
Contract assets	21	**268,121**	226,778
Financial assets at fair value through profit or loss	18	**11,974**	17,203
Prepayments, deposits, other receivables and other assets	19	**57,490**	57,979
Cash and bank balances	22	**160,869**	198,128
Total current assets		**712,305**	728,530
Current liabilities			
Trade payables	23	**15,772**	9,913
Other payables and accruals	24	**42,178**	78,401
Contract liabilities	25	**116,601**	103,478
Interest-bearing bank borrowings	26	**79,910**	67,671
Other interest-bearing borrowings	26	**3,995**	6,146
Lease liabilities	13	**27,805**	35,257
Tax payable		**4,163**	4,680
Total current liabilities		**290,424**	305,546
Net current assets		**421,881**	422,984
Total assets less current liabilities		**543,779**	597,978

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Other interest-bearing borrowings	26	**2,054**	2,508
Provision	24	**2,160**	–
Lease liabilities	13	**33,503**	72,169
Deferred tax liabilities	27	**440**	1,249
Total non-current liabilities		**38,157**	75,926
Net assets		**505,622**	522,052
Equity			
Issued capital	28	**2,883**	2,883
Reserves		**435,299**	466,029
Equity attributable to owners of the Company		**438,182**	468,912
Non-controlling interests		**67,440**	53,140
Total equity		**505,622**	522,052

Mr. Liang Ronald
DIRECTOR

Mr. Fu Chin Shing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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 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/(loss) 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 and 1 January 2022	2,883	283,501*	10,593*	33,610*	(47,359)*	9,434*	176,250*	468,912	53,140	522,052
Profit/(loss) for the year	–	–	–	–	–	–	(18,797)	(18,797)	7,661	(11,136)
Other comprehensive loss for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	(17,788)	–	(17,788)	(236)	(18,024)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(17,788)	(18,797)	(36,585)	7,425	(29,160)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	1,991	1,991
Exercise of share options of a subsidiary	–	–	–	–	(409)	–	–	(409)	6,884	6,475
Equity-settled share-option arrangements	–	–	–	6,264	–	–	–	6,264	–	6,264
Transfer of share option reserve to retained profits	–	–	–	(11,029)	–	–	11,029	–	–	–
Capital reduction of a subsidiary	–	–	–	–	–	–	–	–	(1,000)	(1,000)
Disposal of a subsidiary (Note 30)	–	–	–	–	–	–	–	–	(1,000)	(1,000)
At 31 December 2022	2,883	283,501*	10,593*	28,845*	(47,768)*	(8,354)*	168,482*	438,182	67,440	505,622

* These reserve accounts comprise the consolidated reserves of HK$435,299,000 (2021: HK$466,029,000) 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 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 the debit reserve of HK$53,519,000 resulting from the share swap pursuant to the group reorganisation upon initial public offering in 2013 and the credit reserve of HK$5,120,000 resulting from recognition of equity-settled share-based payments to Mr. Wang Jun You ("Mr. Wang"), a director of the Company, in 2013.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(9,901)**	9,763
Adjustments for:			
Finance costs	6	**4,914**	5,160
Covid-19 related rent concession from lessors	5	**(118)**	(131)
Share of loss of a joint venture		**8**	490
Share of loss of an associate		**168**	12
Interest income	5	**(1,306)**	(1,480)
Loss on disposal/write-off of item of property, plant and equipment	5	**535**	1,138
Gain on surrender of leases	5	**(806)**	(3,253)
Fair value loss on financial assets at fair value through profit or loss		**2,849**	550
Depreciation	7	**41,975**	57,354
Amortisation of intangible assets	7	**2,700**	2,109
Impairment losses recognised on financial and contract assets, net			
– trade receivables	7	**2,422**	3,909
– contract assets	7	**2,678**	1,298
Equity-settled share-based payments	7	**6,264**	15,307
		52,382	92,226
Increase in prepayment and deposits		**(592)**	(1,846)
Decrease/(increase) in trade receivables		**6,624**	(13,820)
Increase in contract assets		**(53,407)**	(19,798)
Decrease/(increase) in prepayments, deposits, other receivables and other assets		**3,157**	(28,884)
Increase/(decrease) in trade payables		**8,490**	(8,867)
Decrease in other payables and accruals		**(28,342)**	(12,397)
Increase/(decrease) in contract liabilities		**20,457**	(1,549)
Cash generated from operations		**8,769**	5,065
Interest paid		**(4,914)**	(5,160)
Income taxes paid		**(3,707)**	(4,100)
Net cash flows from/(used in) operating activities		**148**	(4,195)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,306**	1,480
Purchases of items of property, plant and equipment		**(8,791)**	(16,158)
Additions of intangible assets		**(2,094)**	(2,395)
Net cash inflow from disposal of a subsidiary	30	**346**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**18,919**	24,163
Investment in financial assets at fair value through profit or loss		**(16,770)**	(13,024)
Investment in an associate		**–**	(360)
Net cash flows used in investing activities		**(7,084)**	(6,294)

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**62,983**	48,000
Repayment of bank loans		**(50,683)**	(38,848)
New other loans		**680**	7,193
Repayment of other loans		**(3,285)**	(602)
Capital contribution from non-controlling interest		**1,991**	727
Principal portion of lease payments	32(c)	**(33,022)**	(40,281)
Net cash flows used in financing activities		**(21,336)**	(23,811)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(28,272)**	(34,300)
Cash and cash equivalents at beginning of the year		**198,128**	228,412
Effect of foreign exchange rate changes, net		**(8,987)**	4,016
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by cash and bank balances	22	**160,869**	198,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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 2022	2021	Principal activities
LWK & Partners (HK) Limited ("LWK HK")	Hong Kong 9 October 1995	Hong Kong	HK$1,000,000	**100%**	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%**	100%	Provision of comprehensive architectural services
ISBIM Limited ("isBIM")	Hong Kong 12 February 2010	Hong Kong	HK$20,590,200	**44.9%***	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.

* During the year ended 31 December 2022, 1,850 (2021: Nil) share options in relation to the share option scheme of isBIM were exercised, accordingly, percentage of equity attributable to the Company was diluted from 49% to 44.9%. Under the contractual agreement with the non-controlling shareholders, the decisions on the relevant activities of isBIM and its subsidiaries 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 44.9% 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 Group 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 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 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* (the "Contractual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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 as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *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 amendment that is 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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.

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, 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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 in HKAS 12 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 (provided that sufficient taxable profit is available) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a 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 a 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, respectively. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

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

Impairment of non-financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

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

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

Intangible assets (other than goodwill)

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

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.

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.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option depreciation is calculated using the estimated useful life of the asset.

(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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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).

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 that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 1 year past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, 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 and accruals, 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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 in exchange 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 29 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 costs incurred for work performed to date relative to the estimated total contract costs. 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$658,685,000 (2021: HK$850,472,000) was recognised over time. Further details are given in Notes 4 and 5 to the financial statements.

Impairment assessment of non-financial assets

The Group determines whether goodwill is impaired at least on an annual basis and whenever, any impairment indicators for goodwill exist. In addition, the Group assesses whether there are any indicators of impairment for other non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. This requires an estimation of the value in use of the cash-generating units to which the goodwill, other non-financial assets such as property, plant and equipment including right-of-use assets 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, property, plant and equipment including right-of-use assets and intangible assets at 31 December 2022 were HK$15,287,000 (2021: HK$15,655,000), HK$72,771,000 (2021: HK$124,798,000) and HK$10,230,000 (2021: HK$11,434,000), respectively. Further details are given in Notes 12, 14 and 15 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 2022 were HK$213,851,000 (2021: HK$228,442,000) and HK$268,121,000 (2021: HK$226,778,000), respectively. Further details are given in Notes 20 and 21 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 (loss)/profit, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that certain other income, share of loss of a joint venture, share of loss of an associate, loss on fair value changes of financial assets at fair value through profit or loss, 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 2022

	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	–	23,982	23,982
Services transferred over time	533,759	124,926	658,685
Revenue from contracts with customers	533,759	148,908	682,667
Type of goods or services			
Architecture services	496,661	–	496,661
Landscape architecture, town planning, interior design and heritage conservation services	37,098	–	37,098
BIM services	–	124,926	124,926
Sale of IT products	–	23,982	23,982
Revenue from contracts with customers	533,759	148,908	682,667
Intersegment revenue	–	4,592	4,592
Segment revenue	533,759	153,500	687,259
Reconciliation:			
Elimination of intersegment revenue			(4,592)
External revenue			682,667
Segment results	(22,717)	20,946	(1,771)
Reconciliation:			
Unallocated other income			573
Share of loss of a joint venture			(8)
Share of loss of an associate			(168)
Loss on fair value changes of financial assets at fair value through profit or loss			(2,849)
Share options expenses recognised			(57)
Other unallocated corporate expenses			(5,621)
Loss before tax			(9,901)

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)

Other segment information:

	Comprehensive architectural services HK$'000	BIM services HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2022				
Share of loss of a joint venture	**–**	**–**	**8**	**8**
Share of loss of an associate	**–**	**–**	**168**	**168**
Impairment losses on financial and contract assets, net	**3,430**	**1,670**	**–**	**5,100**
Depreciation and amortisation	**36,156**	**8,519**	**–**	**44,675**
Loss on disposal of property, plant and equipment	**535**	**–**	**–**	**535**
Gain on surrender of leases	**(726)**	**(80)**	**–**	**(806)**
Finance costs	**4,569**	**326**	**19**	**4,914**
Recognition of equity-settled share-based payments	**6,207**	**–**	**57**	**6,264**
Capital expenditure*	**7,125**	**3,760**	**–**	**10,885**
Year ended 31 December 2021				
Share of loss of a joint venture	–	–	490	490
Share of loss of an associate	–	–	12	12
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

* 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 financial instruments, deferred tax assets, and investment in a joint venture and investment in an associate.

	Revenue from external customers		Non-current assets	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China	**371,758**	570,798	**37,249**	70,458
Hong Kong	**277,421**	261,751	**62,018**	90,487
Macau	**750**	3,057	**–**	–
Others	**32,738**	26,384	**1,798**	2,812
	682,667	861,990	**101,065**	163,757

Information about a major customer

During the years ended 31 December 2022 and 31 December 2021, 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:

	2022			2021		
	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	**509,322**	**71,542**	**580,864**	637,940	72,332	710,272
More than one year but not more than two years	**300,758**	**38,253**	**339,011**	353,134	37,905	391,039
More than two years	**713,710**	**70,018**	**783,728**	647,831	75,031	722,862
	1,523,790	**179,813**	**1,703,603**	1,638,905	185,268	1,824,173

The revenue recognised in the year relating to the performance obligations satisfied in the previous year due to constraints on variable consideration amounted to HK$7,236,000 (2021: HK$1,831,000).

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

	2022 HK$'000	2021 HK$'000
An analysis of the other income and (loss)/gains, net is as follows:		
Other income		
Bank interest income	**1,306**	1,480
Government subsidies	**12,749**	2,418
Refund of Value Added Tax in Mainland China	**894**	1,498
Rent concession related to Covid-19	**118**	131
Others	**1,916**	3,178
	16,983	8,705
(Loss)/gains, net		
Loss on disposal/write-off of items of property, plant and equipment	**(535)**	(1,138)
Gain on surrender of leases	**806**	3,253
Foreign exchange differences, net	**(1,690)**	1,910
Others	**(306)**	–
	(1,725)	4,025
	15,258	12,730

6. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest expenses on:		
– Bank borrowings	**2,389**	1,440
– Lease liabilities (Note 13)	**2,365**	3,613
– Others	**160**	107
	4,914	5,160

7. (LOSS)/PROFIT BEFORE TAX

	2022 HK$'000	2021 HK$'000
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Cost of sale of IT products	**16,709**	9,949
Cost of services rendered	**557,531**	689,311
Depreciation of property, plant and equipment	**41,975**	57,354
Amortisation of intangible assets[1]	**2,700**	2,109
Auditor's remuneration (including remuneration for non-audit services)	**1,880**	2,306
Loss on disposal/write-off of property, plant and equipment	**535**	1,138
Gain on surrender of leases	**(806)**	(3,253)
Staff costs including directors' and chief executives' remunerations		
– Salaries, allowances, and other benefits	**443,666**	534,432
– Equity-settled share-based payments	**6,264**	15,307
– Contributions to retirement benefit schemes[2]	**21,585**	23,479
	471,515	573,218
Impairment recognised on:		
– Trade receivables, net	**2,422**	3,909
– Contract assets, net	**2,678**	1,298
	5,100	5,207

Note:

(1) Included in cost of services.

(2) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. 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
2022						
Executive directors[1]						
Mr. Liang Ronald	**1,200**	**8,220**	**1,000**	**2,352**	**216**	**12,988**
Mr. Liu Jiang Tao (appointed on 16 June 2022)	**–**	**–**	**–**	**–**	**–**	**–**
Mr. Liu Gui Sheng (resigned on 16 June 2022)	**–**	**–**	**–**	**–**	**–**	**–**
Mr. Fu Chin Shing ("Mr. Fu")[2]	**1,000**	**6,415**	**1,000**	**1,758**	**96**	**10,269**
Mr. Wang	**400**	**6,297**	**–**	**772**	**60**	**7,529**
Mr. Liu Yong	**–**	**–**	**–**	**–**	**–**	**–**
Mr. Ma Kwai Lam Lambert	**400**	**1,632**	**–**	**276**	**18**	**2,326**
	3,000	**22,564**	**2,000**	**5,158**	**390**	**33,112**
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	**22,564**	**2,000**	**5,158**	**390**	**33,616**
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[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

8. 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 2022 and 2021.

(5) During the year ended 31 December 2021, Mr. Liu Gui 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 29 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 2022, Mr. Liu Jiang Tao, Mr. Liu Gui Sheng and Mr. Liu Yong waived their entitled emoluments of HK$644,000 (2021: Nil), HK$556,000 (2021: HK$1,200,000) and HK$400,000 (2021: HK$400,000), respectively, for their capacity as executive directors of the Company. Except Mr. Liu Jiang Tao, 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 2022 (2021: Nil).

During the years ended 31 December 2022 and 2021, 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 three (2021: four) directors of the Company (including the Chief Executive Officer of the Company) whose emoluments are set out above. The emoluments of the remaining two (2021: one) highest paid employee are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and other benefits	**5,093**	2,723
Performance related bonuses	**706**	609
Pension scheme contributions (defined contribution scheme)	**48**	18
Equity-settled share based payments	**286**	–
	6,133	3,350

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 (2021: HK$3,000,001 to HK$3,500,000).

9. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	**2,682**	3,031
Corporate Income Tax in Mainland China ("CIT")	**1,000**	4,094
Underprovision of Hong Kong Profits Tax in prior years	**–**	255
	3,682	7,380
Deferred tax (Note 27):	**(2,447)**	(2,122)
	1,235	5,258

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for two subsidiaries of the Group which are qualifying entities under the two-tiered profits tax rates regime effective from 2018/19. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of these subsidiaries are taxed at 8.25% (2021: 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% (2021: 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% (2021: 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 (2021: RMB1,000,000) taxable income shall be included in its taxable income at the reduced rate of 25% (2021: 25%), with the applicable corporate income tax rate of 20% (2021: 20%), and the annual taxable income not less than RMB1,000,000 (2021: RMB1,000,000) nor more than RMB3,000,000 (2021: RMB3,000,000) shall be included in its taxable income at the reduced rate at 50% (2021: 50%), with the applicable corporate income tax rate at 20% (2021: 20%).

9. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Group is domiciled to the tax expense at the effective tax rates is as follows:

	2022 HK$'000	2021 HK$'000
(Loss)/profit before tax	**(9,901)**	9,763
Tax at the Hong Kong profits tax rate of 16.5% (2021: 16.5%) (note)	**(1,634)**	1,611
Effect of different tax rates of subsidiaries operating in other jurisdictions	**772**	(148)
Effect of different tax rates of profits generated in Mainland China by Hong Kong entities	**347**	845
Tax effect of expenses not deductible for tax	**994**	3,736
Tax effect of income not subject to tax	**(72)**	(638)
Tax effect of tax losses not recognised	**417**	381
Utilisation of tax losses previously not recognised	**(141)**	(866)
Adjustments in respect of current tax of previous periods	**–**	255
Income tax at the concessionary rate	**–**	(330)
Others	**552**	412
Income tax expense	**1,235**	5,258

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.

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic and diluted loss per share are based on:

	2022 HK$'000	2021 HK$'000
Loss:		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	**(18,797)**	(1,139)

	Number of shares 2022	 2021
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basis loss per share calculation	**288,260,780**	288,260,780
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	400,271
	288,260,780	288,661,051

The computation of diluted loss per share for the year ended 31 December 2022 does not assume the exercise of share options granted by the Company because this will give an anti-dilutive effect.

11. DIVIDENDS

No final dividend was proposed nor paid by the Company in respect of the years ended 31 December 2022 and 2021.

12. 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 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 and 1 January 2022	199,163	27,910	66,443	1,938	295,454
Additions	3,749	4,902	3,889	–	12,540
Disposals/write-off	–	–	(1,545)	–	(1,545)
Derecognised upon disposal of a subsidiary	(5,786)	(4,901)	(994)	–	(11,681)
Surrender of leases	(11,062)	–	–	–	(11,062)
Exchange realignment	(4,137)	(849)	(2,373)	(48)	(7,407)
At 31 December 2022	181,927	27,062	65,420	1,890	276,299
ACCUMULATED DEPRECIATION					
At 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 and 1 January 2022	96,458	20,182	52,078	1,938	170,656
Charge for the year	32,426	3,476	6,073	–	41,975
Disposals/write-off	–	–	(1,010)	–	(1,010)
Derecognise upon disposal of a subsidiary	(722)	(248)	(64)	–	(1,034)
Surrender of leases	(3,716)	–	–	–	(3,716)
Exchange realignment	(1,002)	(342)	(1,951)	(48)	(3,343)
At 31 December 2022	123,444	23,068	55,126	1,890	203,528
CARRYING AMOUNTS					
At 31 December 2022	58,483	3,994	10,294	–	72,771
At 31 December 2021	102,705	7,728	14,365	–	124,798

13. 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 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 and 1 January 2022	99,956	2,749	102,705
Additions	3,658	91	3,749
Surrender of leases	(7,346)	–	(7,346)
Derecognised upon disposal of a subsidiary	(5,064)	–	(5,064)
Depreciation charge	(30,839)	(1,587)	(32,426)
Exchange realignment	(2,959)	(176)	(3,135)
At 31 December 2022	57,406	1,077	58,483

13. 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 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 and 1 January 2022	107,426
New leases	3,708
Surrender of leases	(8,152)
Derecognised upon disposal of a subsidiary	(5,379)
Accretion of interest recognised during the year	2,365
Payments	(35,387)
Covid-19 related rent concessions from lessors	(118)
Exchange realignment	(3,155)
Carrying amount at 31 December 2022	61,308

	2022 **HK$'000**	2021 HK$'000
Analysed into:		
Current portion	**27,805**	35,257
Non-current portion	**33,503**	72,169
	61,308	107,426

13. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities (Continued)

The maturity analysis of lease liabilities was as follows:

	2022 HK$'000	2021 HK$'000
Analysed into:		
Within one year or on demand	**27,805**	35,257
In the second year	**23,911**	31,354
In the third to fifth years, inclusive	**9,592**	40,815
	61,308	107,426

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

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities	**2,365**	3,613
Depreciation charge of right-of-use assets	**32,426**	45,302
Gain on surrender of leases	**(806)**	(3,253)
Gain on lease modification	**–**	(79)
Covid-19 related rent concessions from lessors	**(118)**	(131)
Total amount recognised in profit or loss	**33,867**	45,452

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

14. GOODWILL

	LWK Architecture HK$'000	isBIM HK$'000	Total HK$'000
COST AND CARRYING VALUES			
At 1 January 2021	4,544	10,961	15,505
Exchange realignment	150	–	150
At 31 December 2021 and 1 January 2022	4,694	10,961	15,655
Exchange realignment	(368)	–	(368)
At 31 December 2022	4,326	10,961	15,287

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 2022 and 31 December 2021, 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.

14. 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 2022

	LWK Architecture	**isBIM**
Discount rate	**11.3%**	**13.2%**
Terminal growth rate	**2%**	**2%**

31 December 2021

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

The directors of the Company considered that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts of the CGUs to exceed their respective recoverable amounts as at 31 December 2022 and 2021.

15. 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 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 and 1 January 2022	–	11,781	4,678	4,349	280	61	21,149
Additions	–	2,094	–	–	–	–	2,094
Exchange realignment	–	(859)	(367)	–	–	–	(1,226)
At 31 December 2022	–	13,016	4,311	4,349	280	61	22,017
ACCUMULATED AMORTISATION							
At 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 and 1 January 2022	–	2,892	4,678	2,130	–	15	9,715
Charge for the year	–	2,130	–	557	–	13	2,700
Exchange realignment	–	(261)	(367)	–	–	–	(628)
At 31 December 2022	–	4,761	4,311	2,687	–	28	11,787
CARRYING AMOUNTS							
At 31 December 2022	–	8,255	–	1,662	280	33	10,230
At 31 December 2021	–	8,889	–	2,219	280	46	11,434

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 2022 and 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.

16. INVESTMENT IN A JOINT VENTURE

	2022 HK$'000	2021 HK$'000
Share of net assets	**3,822**	4,156

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 2022, 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:

	2022 HK$'000	2021 HK$'000
Cash and bank balances	**7,506**	8,285
Other current assets	**138**	27
Net assets	**7,644**	8,312
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**3,822**	4,156
Revenue	**160**	184
Interest income	**404**	13
Loss for the year	**(16)**	(980)
Total comprehensive loss for the year	**(668)**	(699)

17. INVESTMENT IN AN ASSOCIATE

	2022 HK$'000	2021 HK$'000
Share of net assets	**164**	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 associate accounted for using the equity method is set out below:

	2022 HK$'000	2021 HK$'000
Current assets	**607**	1,234
Current liabilities	**(59)**	(50)
Net assets	**548**	1,184
Reconciliation to the Group's interest in the associate		
Proportion of the Group's ownership	**30%**	30%
Carrying amount of the investment	**164**	355
Loss for the year	**(560)**	(40)
Total comprehensive loss for the year	**(636)**	(16)

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2022 and 2021, financial assets at fair value through profit or loss represents listed equity investments measured at fair value. The 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.

19. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	**2022 HK$'000**	2021 HK$'000
Prepayments		**18,974**	21,055
Rental and utility deposits paid		**11,800**	9,830
Prepaid staff disbursements and advances		**99**	451
Other receivables	(a)	**23,383**	19,812
Other assets	(b)	**14,494**	18,701
		68,750	69,849
Analysed into			
Non-current assets		**11,260**	11,870
Current assets		**57,490**	57,979
		68,750	69,849

Notes:

(a) As at 31 December 2022, included in other receivables was a loan amount to HK$7,600,000 (2021: HK$7,600,000) to an independent third party, which was secured by a property, with interest rate of 5.5% and repayable within one year.

(b) Other assets as at 31 December 2022 represented properties held for sale located in Mainland China at the aggregate carrying value of HK$14,494,000 (2021: HK$18,701,000). 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.

20. TRADE RECEIVABLES

	2022 **HK$'000**	2021 HK$'000
Bills receivables	**4,097**	10,150
Trade receivables	**223,000**	230,075
	227,097	240,225
Impairment	**(13,246)**	(11,783)
	213,851	228,442

* 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, including bills receivables, as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 **HK$'000**	2021 HK$'000
Unbilled receivables (Note)	**64,131**	62,346
Within 30 days	**54,445**	59,491
Over 30 days and within 90 days	**21,753**	53,226
Over 90 days and within 180 days	**29,468**	23,075
Over 180 days	**44,054**	30,304
	213,851	228,442

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 38 to the financial statements.

21. CONTRACT ASSETS

	31 December 2022 HK$'000	31 December 2021 HK$'000	1 January 2021 HK$'000
Comprehensive architectural services	**211,694**	182,985	154,237
BIM services	**60,886**	45,706	28,620
	272,580	228,691	182,857
Impairment	**(4,459)**	(1,913)	(615)
	268,121	226,778	182,242

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. Increase in balance was mainly due to delay in project progress resulted from outbreak of COVID-19, which progress of the projects not yet achieved the milestone as stated in the contracts and billing cannot be issued.

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 38 to the financial statements.

22. CASH AND BANK BALANCES

As at 31 December 2022, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$118,729,000 (2021: HK$150,520,000). 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 and 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 2022, bank balances earned interest at floating rates ranging from 0.01% to 2.98% (2021: 0.01% to 3.20%).

23. TRADE PAYABLES

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

	2022 **HK$'000**	2021 HK$'000
Within 30 days	**5,324**	4,164
Over 30 days and within 90 days	**4,869**	1,463
Over 90 days	**5,579**	4,286
	15,772	9,913

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.

24. OTHER PAYABLES AND ACCRUALS

	2022 **HK$'000**	2021 HK$'000
Refundable deposits received from customers	**345**	658
Accrued payroll costs and bonuses	**33,731**	71,939
Accrued expenses	**1,553**	3,606
Provision	**2,160**	2,160
Other payables	**6,549**	7
Other tax payables	**–**	31
	44,338	78,401
Analysed into		
Non-current liabilities	**2,160**	–
Current liabilities	**42,178**	78,401
	44,338	78,401

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

25. CONTRACT LIABILITIES

	31 December 2022 HK$'000	31 December 2021 HK$'000	1 January 2021 HK$'000
Comprehensive architectural services	**98,529**	91,801	94,475
BIM services	**18,072**	11,677	6,661
	116,601	103,478	101,136

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

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in the contract liabilities at the beginning of the year		
– Comprehensive architectural services	**53,660**	53,863
– BIM services	**8,762**	5,737
	62,422	59,600

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 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.

26. INTEREST-BEARING BANK BORROWINGS AND OTHER INTEREST-BEARING BORROWINGS

(a) Interest-bearing bank borrowings

	2022			2021		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Revolving bank loans (Note (ii))	**Hong Kong Interbank Offered Rate ("HIBOR") +1.95-2.3**	**Revolving**	**76,000**	HIBOR +1.95-2.3	Revolving	62,000
Portion of bank loans for repayment within one year which contain a repayment on demand clause	**HIBOR +1.95/2.75**	**2023**	**1,088**	HIBOR +1.95/2.75	2022	3,684
	London Interbank Offered Rate ("LIBOR") +2.0	**2023**	**1,922**	–	–	–
Portion of bank loans for repayment after one year which contain a repayment on demand clause	**2.75**	**2024-2026**	**900**	2.75	2023-2026	1,987
			79,910			67,671

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:

	2022 **HK$'000**	2021 HK$'000
Within one year or on demand	**79,010**	65,684
In the second year	**409**	1,087
In the third to fifth years, inclusive	**491**	900
	79,910	67,671

(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 2022 and 2021.

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

(b) Other interest-bearing borrowings

	2022 HK$'000	2021 HK$'000
Within one year or on demand	**3,995**	6,146
In the second year	**957**	843
In the third to fifth years, inclusive	**1,097**	1,665
Other interest-bearing borrowings	**6,049**	8,654
Less: Amount repayable within one year or on demand and classified as current portion	**(3,995)**	(6,146)
	2,054	2,508

The other interest-bearing borrowings were unsecured, bear interest at rates ranging from 3.00% to 4.70% (2021: 3.27% to 4.56%) and repayable within one to five years. The balance was dominated in Hong Kong dollars.

27. 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 2021	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
Deferred tax (charged)/ credited to profit or loss	497	(652)	246	(3)	(555)	(97)	212	2,799	2,447
At 31 December 2022	762	(591)	(1,286)	194	4,706	317	926	2,896	7,924

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:

27. DEFERRED TAX (Continued)

	2022 HK$'000	2021 HK$'000
Deferred tax assets	**8,364**	6,726
Deferred tax liabilities	**(440)**	(1,249)
	7,924	5,477

The Group has not recognised deferred tax assets in respect of cumulative tax losses arising in Hong Kong of HK$17,725,000 (2021: HK$17,570,000) and in respect of cumulative tax losses arising in Mainland China of HK$1,668,000 (2021: nil) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits while tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

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$137,437,000 (2021: HK$164,443,000) 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.

28. ISSUED CAPITAL

Ordinary shares of HK$0.01 each	**Number of shares**	**Share capital HK$'000**
Authorised		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,000,000,000	10,000
Issued and fully paid		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	288,260,780	2,883

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

29. 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.

29. 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 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	28 November 2019	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	23 December 2020	8,500,000	5 March 2021 to 22 December 2023	23 December 2023 to 22 December 2025	HK$0.88	HK$0.22

29. SHARE OPTION SCHEME (Continued)

Details of the Company's share options held by employees and directors during the year ended 31 December 2022 were as follows:

	Outstanding at 1.1.2022	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Outstanding at 31.12.2022
2017 Grant 2	19,240,000	–	–	(12,740,000)	6,500,000
2018 Grant	13,600,000	–	–	–	13,600,000
2019 Grant	16,400,000	–	–	–	16,400,000
2020 Grant	15,800,000	–	–	–	15,800,000
	65,040,000	–	–	(12,740,000)	52,300,000
Exercisable at the end of the year					40,500,000
Weighted average exercise price per share	HK$1.83	–	–	HK$2.49	HK$1.67

On 5 March 2021, 8,500,000 options were granted under the Share Option Scheme and the estimated fair values of the options granted that 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

29. 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 (grant on 5 March 2021) Executive directors
Exercise price	HK$0.88
Expected volatility	50.58%
Expected life	5 years
Risk-free rate	0.87%
Expected dividend yield	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 2022, 12,740,000 (2021: 30,000) shares options were lapsed after the vesting period and Nil (2021: Nil) share options were forfeited within the vesting period. Share options amounting to HK$11,029,000 (2021: HK$26,000) were transferred from share option reserve to retained profits.

During the year ended 31 December 2021, 16,000,000 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$6,264,000 (2021: HK$15,307,000) for the year ended 31 December 2022 in relation to share option granted by the Company. During the year ended 31 December 2022, 1,850 (2021: Nil) share options in relation to share option scheme of a non-wholly owned subsidiary was exercised. 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 52,300,000 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 52,300,000 additional ordinary shares of the Company and additional share capital and share premium of HK$523,000 and HK$86,674,000, respectively (before issue expenses).

At the date of approval of these financial statements, the Company had 52,300,000 share options outstanding under the Share Option Scheme, which represented approximately 18.1% 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 73,300,000 shares, representing 25.4% of the number of shares in issue as at that date.

30. DISPOSAL OF A SUBSIDIARY

In April 2022, the Group entered into agreements with Mr. Liang Ronald and Mr. Fu Chin Shing, directors and shareholders of the Company, to dispose of its entire 60% of the issued share capital of Nameless (Hong Kong) Limited ("Nameless"), a non-wholly-owned subsidiary of the Group, at the consideration of HK$1,500,000. The transaction was completed on 12 April 2022. No gain or loss was recognised for the transaction.

The net assets disposed of at the date of the disposal were as follows:

	HK$'000
Property, plant and equipment	10,647
Rental deposit	1,133
Trade and other receivables	2,098
Bank balances and cash	1,154
Trade and other payables	(6,546)
Contract liabilities	(607)
Lease liabilities	(5,379)
Net assets disposal of	2,500
Interest held by the Group disposed of (60% in Nameless)	1,500
Consideration fully satisfied by cash	(1,500)
Gain on disposal of a subsidiary	–

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

	HK$'000
Cash consideration	1,500
Bank balances and cash disposed of	(1,154)
Net inflow of cash and cash equivalents included in cash flows from investing activities	346

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

Details of isBIM, a 44.9%-owned subsidiary (2021: 49%) 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:

	2022 **HK$'000**	2021 HK$'000
Revenue	**153,500**	136,094
Other income	**4,360**	988
Total expenses	**(139,611)**	(125,886)
Profit for the year	**18,249**	11,196
Profit attributable to owners	**18,126**	11,115
Profit attributable to non-controlling interests	**123**	81
Profit for the year	**18,249**	11,196
Other comprehensive (loss)/income attributable to owners of the Company	**(4,363)**	1,853
Other comprehensive (loss)/income attributable to non-controlling interests	**(244)**	168
Other comprehensive (loss)/income for the year	**(4,607)**	2,021
Total comprehensive income attributable to owners of the Company	**13,763**	12,968
Total comprehensive (loss)/income attributable to non-controlling interests	**(121)**	249
Total comprehensive income for the year	**13,642**	13,217
Current assets	**154,350**	112,100
Non-current assets	**19,183**	14,818
Total assets	**173,533**	126,918
Current liabilities	**(57,518)**	(36,367)
Non-current liabilities	**(3,085)**	(1,291)
Total liabilities	**(60,603)**	(37,658)
Equity attributable to owners of the Company	**107,957**	85,912
Non-controlling interests	**4,973**	3,348
Total equity	**112,930**	89,260
Net cash flows from operating activities	**45,534**	7,113
Net cash flows used in investing activities	**(3,760)**	(4,459)
Net cash flows used in financing activities	**(5,298)**	(4,868)
Net cash (outflow)/inflow	**36,476**	(2,214)

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

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

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$3,708,000 (2021: HK62,705,000) and HK$3,708,000 (2021: HK$62,705,000), 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$7,346,000 (2021: HK$32,119,000) and HK$8,152,000 (2021: HK$35,372,000) respectively, in respect of the surrender of leases of office premises.

During the year, prepayments of HK$571,000 (2021: HK$1,890,000) 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 2021	**119,425**	**58,519**	**2,063**
Financing cash flows	**(40,281)**	**9,152**	**6,591**
New leases	**62,705**	**–**	**–**
Leases modification	**(549)**	**–**	**–**
Surrender of leases	**(35,372)**	**–**	**–**
Interest expense	**3,613**	**–**	**–**
Interest paid classified as operating cash flows	**(3,613)**	**–**	**–**
Covid-19 related rent concession from lessor	**(131)**	**–**	**–**
Foreign exchange movement	**1,629**	**–**	**–**
At 31 December 2021	**107,426**	**67,671**	**8,654**
Financing cash flows	**(33,022)**	**12,300**	**(2,605)**
New leases	**3,708**	**–**	**–**
Surrender of leases	**(8,152)**	**–**	**–**
Disposal of a subsidiary	**(5,379)**	**–**	**–**
Interest expense	**2,365**	**–**	**–**
Interest paid classified as operating cash flows	**(2,365)**	**–**	**–**
Covid-19 related rent concession from lessor	**(118)**	**–**	**–**
Foreign exchange movement	**(3,155)**	**(61)**	**–**
At 31 December 2022	**61,308**	**79,910**	**6,049**

32. 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:

	2022 HK$'000	2021 HK$'000
Within operating activities	**2,365**	3,613
Within financing activities	**33,022**	40,281
	35,387	43,894

33. CAPITAL COMMITMENT

As at 31 December 2022 and 2021, 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.

34. CONTINGENT LIABILITIES

As at 31 December 2022, the Group provides guarantees amounting to HK$6,551,000 (2021: HK$4,136,000) 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.

35. RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the year ended 31 December 2022, the Group recognised revenue of HK$3,161,000 (2021: HK$4,444,000) from its comprehensive architectural services and BIM services provided to BMEDI and its subsidiaries. As at 31 December 2022, the Group had trade receivables due from BMEDI and its subsidiaries amounting to HK$840,000 (2021: HK$2,246,000). BMEDI is a substantial shareholder of the Company.

During the year ended 31 December 2022, 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. As at 31 December 2022, the lease was expired and accordingly, right-of-use asset of Nil (2021: HK$743,000) and lease liability of Nil (2021: HK$765,000) in respect of the leases were recognised in the consolidated statement of financial position as at 31 December 2022. During the year ended 31 December 2022, depreciation of right-of-use assets of HK$733,000 (2021: HK$1,460,000) and interest expense on the lease liability of HK$10,000 (2021: HK$73,000) 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 8 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.

36. 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	2022 HK$'000	2021 HK$'000
Financial assets at amortised cost		
Financial assets included in prepayments, deposits, other receivables and other assets	**35,183**	29,642
Trade receivables	**213,851**	228,442
Cash and bank balances	**160,869**	198,128
	409,903	456,212
Financial assets at fair value through profit or loss-mandatorily measured as such	**11,974**	17,203
	421,877	473,415

Financial liabilities	2022 HK$'000	2021 HK$'000
Financial liabilities at amortised cost		
Trade payables	**15,772**	9,913
Financial liabilities included in other payables and accruals	**10,607**	6,431
Interest-bearing bank borrowings	**79,910**	67,671
Other interest-bearing borrowings	**6,049**	8,654
Lease liabilities	**61,308**	107,426
	173,646	200,095

37. 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, current portion of 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:

The fair values of the non-current portion of deposits and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing other borrowings as at 31 December 2022 were assessed to be insignificant and the fair value of non-current portion of deposits and other borrowings were approximately to the carrying amounts.

Fair value hierarchy

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

	Fair value as at				
	2022 HK$'000	2021 HK$'000	**Fair value hierarchy**	**Valuation technique and key inputs**	**Significant unobserved inputs**
Financial assets at fair value through profit or loss – listed equity investments	**11,974**	17,203	Level 1	Based on the quoted price	N/A
	11,974	17,203			

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 2021.

During the years of 2022 and 2021, 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.

38. 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 loss for the year ended 31 December 2022 would decrease/increase by HK$359,000 (2021: HK$289,000). 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.

38. 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 loss before tax.

	Change in foreign currency rate %	**Increase/ (decrease) in profit before tax HK$'000**
2022		
If HK$ weakens against RMB	**5%**	**1,541**
If HK$ strengthens against RMB	**5%**	**(1,541)**

	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)

Credit risk and impairment assessment

As at 31 December 2022, 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 2022, the Group's concentration of credit risk by geographical locations of the projects is in Mainland China, which accounted for HK$155,300,000 (2021: HK$168,283,000) of the trade receivables.

The Group has a concentration of credit risk from its major customers. For the year ended 31 December 2022, aggregate revenue from the top five customers of the Group accounted for 24.0% (2021: 26.0%) of the total revenue. As at 31 December 2022, balances due from them amounted to approximately HK$10,966,000 (2021: HK$27,875,000), representing 5.1% (2021: 12.2%) 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.

38. 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 2022 and 2021, 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

38. 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:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2022 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000	2021 Gross carrying amount HK$'000	2021 Gross carrying amount HK$'000
Financial assets at amortised cost								
Trade receivables[1]	20	N/A	High	Lifetime ECL (provision matrix)	138,552		128,165	
			Medium	Lifetime ECL (provision matrix)	67,345		85,025	
			Low	Lifetime ECL (provision matrix)	7,051		7,956	
			Loss	Credit-impaired	10,052	223,000	8,929	230,075
Bill receivables	20	N/A	High	12-month ECL	4,097	4,097	10,150	10,150
Bank balances	22	A-3 to A-1+	N/A	12-month ECL	160,869	160,869	198,128	198,128
Rental and utility deposits[2]	19	N/A	High	12-month ECL	11,800	11,800	9,830	9,830
Other receivables[2]	19	N/A	High	12-month ECL	23,383	23,383	19,812	19,812
Other items								
Contract assets[1]	21	N/A	High	Lifetime ECL (provision matrix)	171,781		161,125	
			Medium	Lifetime ECL (provision matrix)	94,765		65,300	
			Low	Lifetime ECL (provision matrix)	4,297		1,600	
			Loss	Credit-impaired	1,737	272,580	666	228,691

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.

38. 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	2022 Average loss rate	2022 Trade receivables HK$'000	2022 Contract assets HK$'000	2021 Average loss rate	2021 Trade receivables HK$'000	2021 Contract assets HK$'000
Grades 1 to 5: High	0.16%	138,552	171,781	0.16%	128,165	161,125
Grade 6: Medium	1.42%	67,345	94,765	0.94%	85,025	65,300
Grades 7 to 8: Low	23%-39%	7,051	4,297	16.39-32%	7,956	1,600
Grade 9: loss	50%-100%	10,052	1,737	50-100%	8,929	666
		223,000	272,580		230,075	228,691

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:

	2022 Lifetime ECL (not credit-impaired) HK$'000	2022 Lifetime ECL (credit-impaired) HK$'000	2022 Total HK$'000	2021 Lifetime ECL (not credit-impaired) HK$'000	2021 Lifetime ECL (credit-impaired) HK$'000	2021 Total HK$'000
At beginning of year	2,854	8,929	11,783	2,434	5,153	7,587
Transfer to credit-impaired	(3,757)	3,757	–	(477)	477	–
Provision of impairment losses	7,409	–	7,409	1,162	3,175	4,337
Reversal of impairment losses	(2,645)	(2,342)	(4,987)	(428)	–	(428)
Exchange realignment	(667)	(292)	(959)	163	124	287
At end of year	3,194	10,052	13,246	2,854	8,929	11,783

38. 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:

	2022 **HK$'000**	2021 HK$'000
At beginning of year	**1,913**	615
Provision for impairment losses	**2,678**	1,298
Exchange realignment	**(132)**	–
At end of year	**4,459**	1,913

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 2022, the Group had available unutilised bank facilities of HK$84,000,000 (2021: HK$58,000,000). 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.

38. 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	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Total undiscounted cash flows	Carrying amount at 31 December
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2022						
Trade payables	**n/a**	**15,772**	**–**	**–**	**15,772**	**15,772**
Financial liabilities included in other payables and accruals	**n/a**	**10,607**	**–**	**–**	**10,607**	**10,607**
Lease liabilities	**3.86**	**29,093**	**24,531**	**9,777**	**63,401**	**61,308**
Interest-bearing bank borrowings	**6.37**	**79,910**	**–**	**–**	**79,910**	**79,910**
Other interest-bearing borrowings	**3.13**	**4,148**	**1,109**	**1,272**	**6,529**	**6,049**
		139,530	**25,640**	**11,049**	**176,219**	**173,646**
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

38. 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$79,910,000 (2021: HK$67,671,000). 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
2022						
Interest-bearing bank borrowings	**7.33**	**79,539**	**429**	**500**	**80,468**	**79,910**
2021						
Interest-bearing bank borrowings	2.19	65,763	1,123	928	67,814	67,671

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 26 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.

39. 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:

	2022 HK$'000	2021 HK$'000
Non-current assets		
Investments in subsidiaries	**79,756**	69,116
Due from subsidiaries	**149,571**	154,604
Total non-current assets	**229,327**	223,720
Current assets		
Other receivables	**–**	280
Due from subsidiaries	**66,537**	66,462
Cash and bank balances	**19,093**	20,418
Total current assets	**85,630**	87,160
Current liabilities		
Accruals	**2,082**	765
Interest-bearing bank borrowings	**–**	1,944
Total current liabilities	**2,082**	2,709
Net current assets	**83,548**	84,451
Net assets	**312,875**	308,171
Equity		
Issued capital	**2,883**	2,883
Reserves (Note)	**309,992**	305,288
Total equity	**312,875**	308,171

39. 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 2021	283,501	30,613	(15,793)	298,321
Loss and total comprehensive loss 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 and at 1 January 2022	283,501	33,610	(11,823)	305,288
Loss and total comprehensive loss for the year	–	–	(1,560)	(1,560)
Equity-settled share-option arrangements	–	6,264	–	6,264
Transfer of share option reserve to retained profits	–	(11,029)	11,029	–
At 31 December 2022	283,501	28,845	(2,354)	309,992

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2023.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
RESULTS					
Revenue	671,598	685,091	717,172	861,990	**682,667**
Profit (loss) for the year	51,182	(10,582)	14,243	4,505	**(11,136)**
Earnings/(loss) per share					
Basic (HK cents)	16.3	(4.06)	3.29	(0.40)	**(6.52)**
Diluted (HK cents)	16.2	(4.06)	3.29	(0.39)	**(6.52)**

	As at 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	668,036	799,402	884,269	903,524	**834,203**
Total liabilities	(217,299)	(352,212)	(391,195)	(381,472)	**(328,581)**
	450,737	447,190	493,074	522,052	**505,622**
Equity attribute to owners of the Company	421,867	413,641	446,473	468,912	**440,898**
Non-controlling interests	28,870	33,549	46,601	53,140	**64,724**
	450,737	447,190	493,074	522,052	**505,622**