You should read the following discussion and analysis of our Group's financial condition and results of operations together with our combined financial statements as at and for each of the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. The accountants' report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a comprehensive architectural service provider in Hong Kong and the PRC. In particular, our major operating subsidiary, LWK Hong Kong, is an architectural company duly registered in the HKIA. Architecture is our mainstream of practice. Besides architecture, we also provide the service of: (a) landscape architecture; (b) town planning; (c) interior design; and (d) heritage conservation, mainly in both Hong Kong and the PRC.

Our revenue is generated from the service fee received from our clients. The amount of our service fee and payment schedule are determined by the service contract with the client.

We had over 190 clients and over 470 projects involved during the Track Record Period.

Architecture is our major source of income. For each of the years ended 31 December 2011 and 2012 and six months ended 30 June 2012 and 2013, we generated revenue of approximately 92.2%, 89.7%, 90.7% and 92.9%, respectively from architecture.

Our clients include (i) HK Blue-chip Developers; (ii) HK listed developers; (iii) HK unlisted developers; and (iv) PRC developers. For each of the years ended 31 December 2011 and 2012 and six months ended 30 June 2012 and 2013, we generated revenue of approximately 57.3%, 50.5%, 54.9% and 52.9%, respectively, from our clients being the HK Blue-chip Developers.

Most of our projects are located in the PRC. For each of the years ended 31 December 2011 and 2012 and six months ended 30 June 2012 and 2013, we generated revenue of approximately 79.7%, 73.6%, 74.8% and 68.5%, respectively, from our PRC projects.

We have established long-term business relationships with our clients. For each of the two years ended 31 December 2012 and six months ended 30 June 2012 and 2013, 37.8%, 28.8%, 52.2% and 49.9%, respectively, of our revenue was generated from our clients who have 10 years or longer business relationships with us.

For each of the two years ended 31 December 2012 and six months ended 30 June 2012 and 2013, our total revenue was HK$198.5 million, HK$268.3 million, HK$129.1 million and HK$148.5 million, respectively; and during the same period, our profit for the year and period was HK$13.0 million, HK$27.2 million, HK$10.1 million and HK$7.8 million, respectively.

The increase in revenue by 35.2% from HK$198.5 million for the year ended 31 December 2011 to HK$268.3 million for the year ended 31 December 2012, and by 15.0% from HK$129.1 million for the six months ended 30 June 2012 to HK$148.5 million for the six months ended 30 June 2013, was mainly attributable by the increase of revenue generated from the provision of service of architecture. For details, please refer to paragraph headed "Six months ended 30 June 2012 compared to six months ended 30 June 2013" and "Year ended 31 December 2012 compared to Year ended 31 December 2011" in this section.

GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Before the completion of the Reorganisation, LWK Hong Kong was owned by Mr. Liang, Mr. Fu and Rich World (controlled by Mr. Liang) as to 65%, 28% and 7%, respectively. LWK Macau was incorporated on 9 July 2012 and owned by Mr. Liang and Mr. Fu as to 70% and 30%, respectively. Our Company was incorporated on 13 May 2013 and wholly owned by Mr. Liang.

On 11 June 2013, LWK Hong Kong and LWK Conservation, a wholly owned subsidiary of LWK Hong Kong, acquired the entire capital of LWK Macau from Mr. Liang and Mr. Fu for a cash consideration of MOP30,000 (equivalent to approximately HK$29,000) (the "Macau Acquisition"). LWK Hong Kong and LWK Macau were under the common control of Mr. Liang both before and after the Macau Acquisition and that control is not transitory, therefore, the principles of merger accounting under Accounting Guideline 5 *Merger Accounting for Common Control Combinations* has been applied for the Macau Acquisition. On 10 June 2013, Mr. Liang and Mr. Fu transferred 79,310 and 33,990 shares of LWK Hong Kong (representing, in aggregate, 11.33% of the entire issued share capital of LWK Hong Kong), respectively to Mr. Wang for a total consideration of HK$8,280,000. Upon completion LWK Hong Kong was ultimately owned as to 61.53%, 27.14% and 11.33% by Mr. Liang, Mr. Fu and Mr. Wang, respectively. On 21 June 2013, LWK Hong Kong entered into equity transfer agreement with Mr. Wang to acquire additional 24% interest in LWK Yiheng, a non-wholly owned subsidiary of LWK Hong Kong, for a cash consideration of RMB2,830,000 (equivalent to approximately HK$3,566,000) which is completed on 28 August 2013.

After interspersing our Company and Helffrich Ventures between the shareholders and LWK Hong Kong which completed on 5 December 2013, our Company became the holding company of our Group.

Accordingly, the financial information in this section has been prepared as if our Company had always been the holding company of our Group.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/establishment of the relevant companies now comprising our Group (other than the acquisition of LWK Yiheng as set out in note 33 in Appendix I to this prospectus), where this is a shorter period. The combined statements of financial position of our Group as at 31 December 2011 and 2012 and 30 June 2013 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence as at those dates.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Ability of our Group to maintain major clients and recurrent clients

Our Group derives a significant portion of our revenue from the provision of services to a number of major clients in Hong Kong and the PRC. For each of the two years ended 31 December 2012 and the six months ended 30 June 2012 and 2013, our Group's revenue from the provision of the comprehensive architecture service to our top five clients accounted for approximately 47.8%, 42.7%, 50.6% and 41.9%, respectively, of our Group's total revenue while revenue derived from our recurrent clients attributed to 94.0%, 87.0%, 93.8% and 92.7%, respectively.

As demand for the services of our Group depends on the level of property development and the relevant activities in Hong Kong and the PRC, there is no assurance that the demand for our Group's comprehensive architecture service may be maintained or continue to grow in the years ahead.

Pricing of our projects

Majority of our revenue during the Track Record Period is derived from our projects obtained by means of invited tendering. The tender price of our projects is generally based on our estimated project costs plus a mark-up margin. We have to strike a balance between pricing our projects competitive enough and maintaining adequate profit margin. Pricing is particularly important for private sector projects since once the tender price is fixed, we will have to bear for any possible cost increment due to inflation and salary increment of our staffing. Also, in relation to some of strategic projects that we wish to undertake to enhance our corporate profile, we may submit a more competitive tender price with a lower profit margin. In case of strategic projects and inflations, the lower profit margin may pose adverse effect on our profitability.

Fluctuations in our staff costs

The main component of our cost of service is direct labour costs and overhead, which mainly represents staff costs. During the two years ended 31 December 2012 and six months ended 30 June 2012 and 2013, our direct labour costs and overhead amounted to approximately HK$119.6 million, HK$161.0 million, HK$74.4 million and HK$82.3 million, respectively, and accounted for approximately 76.6%, 76.7%, 72.5% and 78.2% of our cost of services, respectively. As a result, our profitability heavily depends on our ability to control and manage our staff cost. In addition, our contract price is based on our estimated project costs (which mainly include the staff costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential clients but the actual staff costs will not be determined until after we have entered into agreements with our clients and actual delivery of our comprehensive architecture service. Any fluctuations in the staff costs during this period will affect our profitability.

Progress to complete projects according to specifications, quality standards, safety measures or time frame

Our projects must be completed in accordance with customers' specifications, quality standards, safety measures and the time frame. Failure to comply with any of these requirements may not only tarnish our reputation but also drag down our revenue and profitability. With our commitment to excellence, we will continue to give full effort to ensure our current and future projects are completed in accordance with all the requirements.

Global economic developments

The recent global economic developments and credit crunch have adversely affected the global economy. Under such deteriorating global economy and with the continual weak economic sentiment, the investment in residential, commercial and industrial property sectors may decrease and there may be delay or suspension with respect to construction including fitting-out projects. As such, these factors may affect our profitability and revenue growth. If the economic downturn and the weak economic sentiment continue, our business, financial condition and results of operations may be adversely affected.

CRITICAL ACCOUNTING POLICIES

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the combined statements of financial position.

For the purposes of impairment testing, goodwill is allocated to each of our Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and related taxes.

Where the outcome of a contract of comprehensive architectural services can be estimated reliably, revenue from a fixed price contract of comprehensive architectural services is recognised on the percentage of completion method, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims, and incentive payments are included to the extent that the amount can be measured reliably, and its receipt is considered probable.

Where the outcome of a contract of comprehensive architectural services cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when our Group's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to our Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the supply of services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Contracts of comprehensive architectural service

Where the outcome of a contract of comprehensive architectural service can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract of comprehensive architectural service cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position, as a liability, as deposits from customers. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under progress billings receivables from contract customers.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Our Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including progress billings receivable from contract customers, other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Financial assets are assessed for impairment individually.

Objective evidence of impairment for individual receivables could include our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of progress billings receivable from contract customers, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a progress billings receivable from a contract customer is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss was reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities including trade payables, accruals and other payables and bank overdrafts and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Our Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised over their estimated useful lives, to reflect the economic benefits derived from the intangible assets.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Equity-settled share-based payment transactions

Share-based payment transactions

In respect of equity-settled share-based payment granted to employees, the fair value of services received is determined by reference to the fair value of the equity instruments granted at the date of grant and is recognised as an expense in full at the grant date when the equity instruments granted vest immediately, with a corresponding increase in equity.

RESULTS OF OPERATIONS

The following table sets out the combined results of our Group for each of the two years ended 31 December 2012 and six months ended 30 June 2012 and 2013, respectively, which are derived from, and should be read in conjunction with, the combined financial information set out in the accountants' report set out in Appendix I to this prospectus.

Combined statements of comprehensive income

	Year ended 31 December		Six months ended 30 June	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Revenue	198,478	268,282	129,077	148,508
Cost of services	(156,049)	(209,756)	(102,655)	(105,225)
Gross profit	42,429	58,526	26,422	43,283
Other income	1,013	351	134	46
Other gains and losses	(2,833)	721	336	1,542
Administrative expenses	(22,222)	(24,639)	(13,204)	(23,980)
Listing expenses	–	–	–	(7,081)
Finance costs	(67)	(64)	(20)	(74)
Profit before taxation	18,320	34,895	13,668	13,736
Income tax expense	(5,368)	(7,667)	(3,583)	(5,908)
Profit for the year/period	12,952	27,228	10,085	7,828
Other comprehensive income (expense)				
Items that may be reclassified subsequently to profit or loss				
Net fair value (loss) gain arising on available-for-sale financial assets	(373)	34	34	–
Exchange differences arising on translation	1,149	371	(259)	600
Reclassification adjustment upon disposal of available-for-sale financial assets	–	(288)	(288)	–
Other comprehensive income (expense) for the year/period	776	117	(513)	600
Total comprehensive income for the year/period	13,728	27,345	9,572	8,428
Profit (loss) for the year/period attributable to:				
Owners of our Company	12,016	25,355	11,217	5,053
Non-controlling interests	936	1,873	(1,132)	2,775
	12,952	27,228	10,085	7,828

	Year ended 31 December		Six months ended 30 June	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Total comprehensive income (expense) for the year/period attributable to:				
Owners of our Company	12,740	25,434	10,687	5,624
Non-controlling interests	988	1,911	(1,115)	2,804
	13,728	27,345	9,572	8,428

Revenue

Our revenue was principally generated from the provision of comprehensive architectural service in Hong Kong and the PRC, which involved the provision of service of architecture, landscape architecture, town planning, interior design and heritage conservation. Our revenue increased from HK$198.5 million for the year ended 31 December 2011 to HK$268.3 million for the year ended 31 December 2012 by approximately HK$69.8 million or 35.2%, and from HK$129.1 million for the six months ended 30 June 2012 to HK$148.5 million for the six months ended 30 June 2013 by approximately HK$19.4 million or 15.0%.

For the year ended 31 December 2012, our Group entered a service contract with a new client for its projects located in the PRC amounted to HK$15.1 million or 5.6% of the total revenue in 2012 while LWK Yiheng contributed to HK$21.5 million increase in revenue. Excluding the HK$15.1 million revenue attributable to the new client, the growth rate of our Group was 27.5%, comparing the annual growth rate of the estimated total contract output value of properties and facilities development projects in Hong Kong and the PRC, which were 24.2% and 15.6% of 2012. The Directors of our Company are of the view that the growth rate of the revenue of our Group being higher than that of the industry was due to (i) LWK Hong Kong possesses the qualification in the Band 1 List of Consultants of AACSB and (ii) LWK Yiheng possesses the Grade A Qualifications; which has enhanced the reputation of the Group in both of Hong Kong and the PRC as well as allowing the Group to expand the service scope of the projects located in the PRC.

The following table sets out the breakdown of our revenue by principal business activities during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2011		2012		2012		2013	
	HK$'000	%	*HK$'000*	%	*HK$'000* (Unaudited)	%	*HK$'000*	%
Architecture	183,069	92.2	240,563	89.7	117,065	90.7	137,951	92.9
Landscape architecture, town planning, interior design and heritage conservation	15,409	7.8	27,719	10.3	12,012	9.3	10,557	7.1
	198,478	100.0	268,282	100.0	129,077	100.0	148,508	100.0

Our revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and related taxes. Where the outcome of a contract of comprehensive architectural service can be estimated reliably, revenue from a fixed price contract of comprehensive architecture services is recognised on the percentage of completion method, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs during the period. Where the outcome of a contract of comprehensive architectural services cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

Architecture

Revenue derived from our provision of service of architecture amounted to HK$183.1 million, HK$240.6 million, HK$117.1 million and HK$138.0 million, for each of the two years ended 31 December 2012 and the six months ended 30 June 2012 and 2013, respectively, representing the major sources of our revenue, contributing to 92.2%, 89.7%, 90.7% and 92.9% of the total revenue, respectively. Our provision of the service of architecture include architectural design (or building design) to different types of building developments, associated study and drawing services for facilitating architectural design and associated administration services for facilitating architectural design.

Landscape architectural, town planning, interior design and heritage conservation

Revenue derived from our provision of service of landscape architecture, town planning, interior design and heritage conservation amounted to HK$15.4 million, HK$27.7 million, HK$12.0 million and HK$10.6 million for each of the two years ended 31 December 2012 and the six months ended 30 June 2012 and 2013, respectively, contributing to 7.8%, 10.3%, 9.3% and 7.1% of the total revenue, respectively. Our service of landscape architecture was mainly provided for the landscape design to projects of parks, gardens and residential development, urban design, sports and recreational sites, community and civic spaces, resorts and streetscape. Service of town planning was mainly related to providing planning feasibility study to unleash the potential of a particular region, city, district and various types of projects. Service of interior design was mainly provided to different building premises, such as residential, commercial and mixed-use developments. Service of heritage conservation included historic building appraisals, historic buildings diagnostic investigations and provision of an integrated architecture and conservation design solution for adaptive reuse or revitalisation of heritage buildings, and urban renewal or regeneration projects with conservation elements.

The LWK Yiheng Fair Value Adjustments refers to the difference between the fair values of the identifiable assets acquired and the liabilities assumed in accordance with HKFRS 3 "Business Combinations" and the carrying values of those identifiable assets acquired and the liabilities assumed on the financial statements of LWK Yiheng (the "**Yiheng Company Financial Statements**") at the acquisition date of the 75% equity interest in LWK Yiheng. For internal reporting purpose, the Chief Operating Decision-Maker of the Company reviewed the Yiheng Company Financial Statements, which is without the effect of the Yiheng Fair Value Adjustments. The Yiheng Company Financial Statements therefore form the basis of segment reporting under HKFRS 8 "Segment Reporting" and, accordingly, there is reconciliation between the segment revenue which included the Yiheng Company Financial Statements and the combined revenue, which is after the effect of the LWK Yiheng Fair Value Adjustments.

The LWK Yiheng Fair Value Adjustments includes (i) the amortisation of the Grade A License of LWK Yiheng recognised at fair value at the acquisition-date; (ii) the effect of the fair value adjustments to amounts due from (to) customers for contract work of LWK Yiheng at the acquisition-date; and (iii) the corresponding deferred tax effect of (i) and (ii) above.

The reconciliation of the segment revenue and LWK Yiheng Fair Value Adjustments is set out as below.

	Year ended 31 December		**Six months ended 30 June**	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Segment revenue	199,875	269,637	129,764	148,519
Reconciliation				
LWK Yiheng Fair Value Adjustments	(1,397)	(1,355)	(687)	(11)
Combined revenue	198,478	268,282	129,077	148,508

The following table sets out the breakdown of our revenue by geographical location of the project during the Track Record Period:

	Year ended 31 December				**Six months ended 30 June**			
	2011		**2012**		**2012**		**2013**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	39,018	19.7	69,861	26.0	31,752	24.6	43,051	29.0
PRC	158,286	79.7	197,414	73.6	96,577	74.8	101,746	68.5
— First tier cities (Note 1)	*29,040*	*14.6*	*64,607*	*24.1*	*36,673*	*28.4*	*32,194*	*21.7*
— Second tier cities (Note 2)	*88,628*	*44.6*	*70,299*	*26.2*	*34,640*	*26.8*	*37,460*	*25.2*
— Third tier cities (Note 3) and other PRC cities	*40,618*	*20.5*	*62,508*	*23.3*	*25,264*	*19.6*	*32,092*	*21.6*
Others	1,174	0.6	1,007	0.4	748	0.6	3,711	2.5
	198,478	100.0	268,282	100.0	129,077	100.0	148,508	100.0

Notes:

1. According to the Ipsos Report, first-tier cities include Beijing, Shanghai, Guangzhou, Shenzhen

2. According to the Ipsos Report, second-tier cities include Chengdu, Chongqing, Shenyang, Hangzhou, Tianjin, Dalian, Wuhan, Suzhou, Nanjing, Qingdao, Xiamen, Xi'an, Ningbo, Changsha, Hefei, Zhengzhou, Wuxi, Dongguan, Jinan

3. According to the Ipsos Report, third-tier cities include Fuzhou, Kunming, Changchun, Harbin, Foshan, Shijiazhuang, Nanning, Changzhou, Nanchang, Hohhot, Wenzhou, Yantai, Nantong, Zhuhai, Guiyang, Taiyuan, Urumqi, Shaoxing, Zhongshan, Jiaxing, Weifang, Tangshan, Xuzhou, Jinhua, Quanzhou, Luoyang, Lanzhou, Haikou, Jilin, Xiangyang, Shantou

For each of the two years ended 31 December 2012, we recorded an increase in revenue from Hong Kong and the PRC. Revenue derived from projects located in Hong Kong increased by HK$30.8 million or 79.0% comparing two years ended 31 December 2011 and 2012. We recorded an increase of number of projects located in Hong Kong by approximate 30 or 42.9% from over 70 for the year ended 31 December 2011 to around 100 for the year ended 31 December 2012. Our average stage of completion also increased by 4.8% in addition to the increase in total project size by 24.2% for each of the two years ended 31 December 2012, respectively. Projects located in the PRC remained our largest revenue contribution maintained at a level of 79.7% and 73.6% for each of the two years ended 31 December 2012, respectively. For the year ended 31 December 2012, we recorded an increase of HK$39.1 million or 24.7% growth in revenue derived from projects located in the PRC compared with the year ended 31 December 2011. Our number of projects located in the PRC increased by approximately 50 or 29.4% from over 170 for the year ended 31 December 2011 to over 220 for the year ended 31 December 2012. The relevant total project size recorded an increase of 37.6% during the year ended 31 December 2012, respectively, despite of a decrease in average stage of completion of 1.5%. Our PRC projects are mainly distributed in first and second tiers cities contributed to over 50% of our total revenue for each of the two years ended 31 December 2011 and 2012, respectively. Having projects located in the third tiers cities and other PRC cities contributed to about 20% of the total revenue, the relevant revenue recorded a growth of HK$21.9 million or 53.9%.

For the six months ended 30 June 2013, we recorded an increase in revenue from Hong Kong and the PRC compared with the six months ended 30 June 2012. Revenue derived from projects located in Hong Kong increased by HK$11.3 million or 35.6%, with the number of projects increased by 25.0% from over 80 for the six months ended 30 June 2012 to over 100 for the six months ended 30 June 2013. Our average stage of completion decreased slightly by 0.4% with the increase in total project size by 29.4%. Projects located in PRC, our largest revenue contribution attributable to 74.8% and 68.5% of total revenue for each of the six months ended 30 June 2012 and 2013, respectively. We recorded a growth in revenue of HK$5.2 million or 5.4% derived from these PRC located projects comparing the six months ended 30 June 2012 and 2013. The number of projects increased by approximately 15 or 8.8% from approximately 170 to over 185 and our project size grew by 26.9% whereas our average stage of completion dropped slightly by 1.5% comparing the six months ended 30 June 2012 and 2013. The growth in revenue generated from projects located in the PRC was contributed by the projects located in the second tier cities and third tiers cities, which attributed to the increase of HK$6.8 million and HK$3.0 million respectively. Such an increase was partially netted off by the decrease of revenue generated from the projects located in first tier cities in PRC by HK$4.5 million.

The following table sets out the breakdown of our revenue by the years of relationship with our clients during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2011		2012		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(Unaudited)			
Less than 1 year	11,993	6.0	34,786	13.0	8,061	6.2	10,888	7.3
1 year or above but less than 5 years	50,214	25.3	71,798	26.8	39,528	30.6	40,956	27.6
5 years or above but less than 10 years	61,267	30.9	84,291	31.4	14,153	11.0	22,600	15.2
10 years or above but less than 15 years	24,216	12.2	27,950	10.4	42,848	33.2	46,472	31.3
Over 15 years	50,788	25.6	49,457	18.4	24,487	19.0	27,592	18.6
	198,478	100.0	268,282	100.0	129,077	100.0	148,508	100.0

We maintained good relationship with our clients and derived 94.0%, 87.0%, 93.8% and 92.7% of the revenue from our recurrent clients for each of the two years ended 31 December 2012 and the six months ended 30 June 2012 and 2013, respectively. Our revenue derived from recurrent clients increased by HK$47.0 million or 25.2% from HK$186.5 million for the year ended 31 December 2011 to HK$233.5 million for the year ended 31 December 2012, and increased by HK$16.6 million or 13.7% from HK$121.0 million for the six months ended 30 June 2012 to HK$137.6 million for the six months ended 30 June 2013. In addition, we continued to explore relationship with new clients. We recorded an increase of HK$22.8 million or 190.0% of revenue derived from our new clients (i.e. clients with relationship less than one year) which contributed to 6.0% and 13.0% of the total revenue for each of the two years ended 31 December 2012, respectively and an increase of HK$2.8 million or 35.0% for the six months ended 30 June 2012 and 2013, which contributed to 6.2% and 7.3% of the total revenue.

Cost of services

Our Group's cost of services primarily consists of direct labour cost with overhead. The following table sets out the breakdown of our Group's cost of services during the Track Record Period.

	Year ended 31 December				Six months ended 30 June			
	2011		2012		2012		2013	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
					(Unaudited)			
Direct labour costs and overhead	119,579	76.6	160,970	76.7	74,381	72.5	82,278	78.2
Sub-consultancy charges	16,322	10.5	20,839	9.9	12,229	11.9	11,980	11.4
Others	13,263	8.5	22,159	10.6	12,527	12.2	10,680	10.1
Other taxes and duties	6,885	4.4	5,788	2.8	3,518	3.4	287	0.3
	156,049	100.0	209,756	100.0	102,655	100.0	105,225	100.0

Direct labour costs and overhead

Direct labour costs represent the staff costs incurred for the provision of our comprehensive architectural service, mainly including salaries for our technical staff, and is our Group's major costs component. Direct labour costs accounted for 76.6%, 76.7%, 72.5% and 78.2% of the costs of services for each of the two years ended 31 December 2012 and the six months ended 30 June 2012 and 2013, respectively.

Sub-consultancy charges

We may outsource some of our work of a project to our subconsultants in order to leverage on their expertise and enhance our work efficiency. Sub-consultancy charges represented the cost to our subconsultants attributable to 10.5%, 9.9%, 11.9% and 11.4% of the total cost of services for each of the two years ended 2012 and the six months ended 30 June 2012 and 2013, respectively. Included in the sub-consultancy charges, HK$0.8 million, HK$0.8 million, HK$0.4 million and nil were paid by LWK Conservation to a related company controlled by Mr. Lee Chung Ming Eric, a director of LWK Conservation for each of the two years ended 31 December 2012 and the six months ended 30 June 2012 and 2013, respectively.

Others

Others attributable to 8.5%, 10.6%, 12.2% and 10.1% for each of the two years ended 31 December 2012 and the six months ended 30 June 2012 and 2013, respectively, which mainly represented other direct costs for the provision of the comprehensive architectural service including printing, modeling, travelling etc.

Other taxes and duties

Other taxes and duties mainly represented the business tax (營業稅) of the PRC, which attributable to 4.4%, 2.8%, 3.4%, and 0.3% for each of the two years ended 31 December 2011 and 2012, and the six months ended 30 June 2012 and 2013, respectively.

Gross profit and gross profit margin

Our gross profit increased by HK$16.1 million or 38.0% from HK$42.4 million for the year ended 31 December 2011 to HK$58.5 million for the year ended 31 December 2012.

Our gross profit margin maintained at a stable level at 21.4% and 21.8% for each of the two years ended 31 December 2012, respectively, since we usually budget our tender and therefore, the contract price after consideration of our usual gross profit margin level.

Our gross profit increased by HK$16.9 million or 63.8% from HK$26.4 million for the six months ended 30 June 2012 to HK$43.3 million for the six months ended 30 June 2013. Our gross profit margin was 20.5% for the six months ended 30 June 2012, which was similar to that of the years ended 31 December 2011 and 2012. Our gross profit margin for the six months ended 30 June 2013 rose to 29.1%. Our revenue increased by 15.0% and our cost of services only increased by 2.4% from HK$102.7 million for the six months ended 30 June 2012 to HK$105.2 million for the six months ended 30 June 2013. In 2013, our Company has taken initiates to streamline the work flow of our projects in order to maximise the efficiency of the project budget costs. An increasing proportion of certain parts of the work for a project e.g. sketches and drawings has been allocated to our PRC staff who are of a lower manhour charging rate than the Hong Kong staff. As a result, despite of the number of our total staff of the technical department increased by 25.1%, of which, the PRC technical staff rose by 30.1% while our direct labour costs and overhead only grew by 10.6% comparing the six months ended 30 June 2012 and 2013.

Other income

Other income mainly consisted of sundry income. The following table sets out the breakdown of other income during the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Dividend income				
— available-for-sale financial assets (listed investments)	13	–	–	–
— held-for-trading investments (listed investments)	96	–	–	–
Interest income on bank deposits	55	100	45	39
Sundry income	849	251	89	7
	1,013	351	134	46

Our other income decreased by HK$0.6 million or 60.0% from HK$1.0 million for the year ended 31 December 2011 to HK$0.4 million for the year ended 31 December 2012, mainly due to the drop of sundry income by HK$0.6 million. Our other income decreased by HK$88,000 or 65.7% from HK$134,000 for the six months ended 30 June 2012 to HK$46,000 for the six months ended 30 June 2013.

Included in sundry income, we recorded HK$0.2 million, nil, HK$89,000 and HK$7,000 as oversettlement from our clients for the provision of comprehensive architectural services for each of the two years ended 31 December 2012 and for the six months period ended 30 June 2012 and 2013, respectively. We also recorded HK$0.5 million and HK$0.2 million as write off of long outstanding trade payables for each of the two years ended 31 December 2012, respectively.

Other gains and losses

Other gains and losses included loss on disposal of property, plant and equipment, allowance for doubtful debts, net foreign exchange gain, loss from changes in fair value of held-for-trading investments and gain on disposal of available-for-sale financial assets. The following table sets out the breakdown of other gains and losses during the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
(Loss) gain on disposal of property, plant and equipment	(582)	(6)	(29)	1,688
Allowance for doubtful debts	(1,330)	–	–	–
Net foreign exchange gain (loss)	20	485	137	(68)
Loss from changes in fair value of held-for-trading investments	(941)	(46)	(60)	(78)
Gain on disposal of available-for-sale financial assets	–	288	288	–
	(2,833)	721	336	1,542

We recorded HK$2.8 million as other losses for the year ended 31 December 2011 and reversed to other gains of HK$0.7 million for the year ended 31 December 2012. In 2011, we provided an allowance for doubtful debts amounted to HK$1.3 million for the long outstanding progress billings receivable from contract customers arose from the provision of architecture service. We further recorded HK$0.9 million as loss from changes in fair value held-for-trading investments. In 2012, we recorded HK$0.5 million of net foreign exchange gain mainly derived from our RMB bank balances and cash. We also recorded HK$0.3 million gain on disposal of available-for-sale financial assets as a result of our disposal of all our available-for-sale financial as we would like focus on our business of provision of comprehensive architectural services.

We recorded HK$0.3 million and HK$1.5 million as other gains for the six months ended 30 June 2012 and 2013 respectively. For the six months ended 30 June 2012, the other gains was mainly attributable by HK$0.3 million of gain on disposal of available-for-sale financial assets as a result of our disposal of all our available-for-sale financial as mentioned aforesaid. For the six months ended 30 June 2013, we recorded HK$1.7 million for the gain on the disposal of a staff quarter in the PRC, which was partially offset by net foreign exchange loss of HK$68,000 and loss from changes in fair value of held-for-trading investments of HK$78,000.

Administrative expenses

Administrative expenses mainly comprised staff costs and other office expenses. The table below sets out the breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2011		2012		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Staff costs	11,947	53.8	13,324	54.1	7,189	54.4	12,786	53.3
Rental expenses	1,333	6.0	1,560	6.3	773	5.9	628	2.6
Depreciation	1,338	6.0	1,261	5.1	611	4.6	666	2.8
Travelling	760	3.4	1,387	5.6	1,168	8.8	350	1.5
Entertainment	1,853	8.4	1,399	5.7	943	7.1	927	3.9
Repairs and maintenance	685	3.1	152	0.6	57	0.4	304	1.3
Legal and professional fee	181	0.8	703	2.9	136	1.0	359	1.5
Audit fee	97	0.4	800	3.2	9	0.1	9	0.0
Share-based payment	–	–	–	–	–	–	5,210	21.7
Utility expenses	824	3.7	1,072	4.4	427	3.3	436	1.7
Other office expenses	3,204	14.4	2,981	12.1	1,891	14.4	2,305	9.7
	22,222	100.0	24,639	100.0	13,204	100.0	23,980	100.0

Staff costs under the administrative expense mainly represented the salary and staff benefits to our management and our staff except technical departments. It amounted to HK$11.9 million, HK$13.3 million, HK$7.2 million and HK$12.8 million attributable to 53.8%, 54.1%, 54.4% and 53.3% of the administrative expenses for each of the two years ended 31 December 2012 and six months ended 30 June 2012 and 2013, respectively. Included in the amount, HK$4.3 million, HK$2.7 million, HK$1.3 million and HK$3.1 million represented the emoluments to the management of our Company. As at 31 December 2011 and 2012, the number of our staff of non-technical department excluding the management increased from approximately 40 to 60, respectively, and the average salary decreased by 8.9% as a result of we employed more low cost staff in 2012. As at 30 June 2012 and 2013, the number of our staff of non-technical department increased from approximately 45 to 70, respectively and the average salary also increased by approximately 9.5%.

On 10 June 2013, Mr. Liang and Mr. Fu transferred 79,310 and 33,990 shares of LWK Hong Kong (representing, in aggregate, 11.33% of the entire issued share capital of LWK Hong Kong), respectively, to Mr. Wang, a director of LWK Yiheng, for a total consideration of HK$8.28 million. The difference between the consideration of HK$8.28 million and the fair value of the 11.33% of the entire issued share capital of LWK Hong Kong at the date of transfer is recognised as share-based payment as expense (the "**Share-based Payment**") , which amounted to HK$5.2 million for the six months ended 30 June 2013. For details of the transactions, please refer to "History, Reorganisation and Group Structure — History and Development — Pre-IPO investment".

Other office expenses represented the miscellaneous expense including property management fee, marketing expenses, donation etc., which attributable to 14.4%, 12.1%, 14.4% and 9.7% of administrative expense for each of the two years ended 31 December 2012 and six months ended 30 June 2012 and 2013, respectively. The below table sets out the detailed breakdown of other office expenses.

	Year ended 31 December				Six months ended 30 June			
	2011		2012		2012		2013	
	HKD'000	*% of Administrative expenses*	*HKD'000*	*% of Administrative expenses*	*HKD'000*	*% of Administrative expenses*	*HKD'000*	*% of Administrative expenses*
Property management fee	585	2.6	508	2.1	321	2.4	282	1.2
Marketing expenses	321	1.4	397	1.6	352	2.7	598	2.5
Donation	437	2.0	601	2.4	183	1.4	–	–
Office administration expenses	740	3.3	641	2.6	501	3.8	622	2.6
Telephone and fax expenses	441	2.0	492	2.0	241	1.8	303	1.3
Office decoration expense	210	0.9	39	0.2	28	0.2	33	0.1
Consultancy fee	97	0.4	72	0.3	44	0.3	7	0.0
Others	373	1.8	231	0.9	221	1.8	460	2.0
	3,204	14.4	2,981	12.1	1,891	14.4	2,305	9.7

Listing Expenses

No Listing expenses were incurred and recorded for the year ended 31 December 2012 as we only started to incur the expenses for the relevant services in 2013. The financial results of our Group for the year ending 31 December 2013 would be affected by the non-recurring Listing expenses. The estimated Listing expenses for the year ending 31 December 2013 are approximately HK$20.0 million (based on the mid-point of our indicative price range of Placing). The amount of Listing expenses is a current estimate for reference only and the final amount to be recognised to the combined statements of profit or loss and other comprehensive income of our Group for the year ending 31 December 2013 is subject to changes in variables and assumptions. For the six months period ended 30 June 2013, our Company has recognised Listing expenses amounted to HK$7.1 million. We expect to further recognise Listing expenses of HK$7.2 million until the completion of the Placing in the combined statements of profit or loss and other comprehensive income and capitalise approximately HK$5.7 million directly attributable to the issue of the Placing Shares, which are expected to be accounted for as a deduction from equity during the second half of 2013.

Finance costs

Finance costs represented interest expense on bank overdrafts on a banking facilities entered by our Company and obligations under finance leases of certain fixtures and equipment and motor vehicle.

Income tax expense

The table below sets out the breakdown of income tax expense during the Track Record Period:

	Year ended 31 December		**Six months ended 30 June**	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
The income tax expense comprises:				
Current tax:				
Hong Kong	352	1,532	127	1,632
PRC Enterprise Income Tax ("EIT")	6,208	5,775	3,969	6,179
Macau Complementary Tax	–	38	14	–
	6,560	7,345	4,110	7,811
Deferred tax:				
Current year/period	(1,192)	322	(527)	(1,903)
	5,368	7,667	3,583	5,908

Hong Kong Profits Tax is calculated at 16.5% for the Track Record Period.

According to Sui Yue Guo Shui Jian Bei (穗越國稅減備) (2013) 100136, the tax rate of LWK Guangzhou is 20% on one-half of the profit chargable to EIT for the period from 22 November 2012 (date of establishment) to 31 December 2012 and for the six months ended 30 June 2013.

According to the *State Council Circular on Transitional Policy of Enterprise Income Tax* (Guo Fa [2007] No. 39), the income tax rate applicable to LWK Shenzhen and LWK Yiheng are 24% for the year ended 31 December 2011 and 25% for the year ended 31 December 2012 and the six months ended 30 June 2012 and 2013.

According to the Law no. 12/2011 of Macau Special Administrative Region of the PRC, LWK Macau entitles to a tax exemption allowance of MOP200,000 (approximately to HK$197,000) followed by progressive tax rates of 9% and 12%.

SIX MONTHS ENDED 30 JUNE 2012 COMPARED TO SIX MONTHS ENDED 30 JUNE 2013

Revenue

Our total revenue increased by HK$19.4 million or 15.0% from HK$129.1 million for the six months ended 30 June 2012 to HK$148.5 million for the six months ended 30 June 2013. Such increase was attributable by the increase of revenue generated by our provision of service of architecture and partially offset by the decrease of revenue generated from the provision of service of landscape architecture, town planning, interior design and heritage conservation.

Architecture

Our revenue derived from our provision of service of architecture increased by HK$20.9 million or 17.8% from HK$117.1 million for the six months ended 30 June 2012 to HK$138.0 million for the six months ended 30 June 2013. We recorded an increase in both of the number of projects of architecture and the relevant total project size by 12.1% and 28.7%, respectively, while our average completion status maintained at a similar level for both periods.

Landscape architectural, town planning, interior design and heritage conservation

Our revenue derived from our provision of service of landscape architecture, town planning, interior design and heritage conservation decreased by HK$1.4 million or 11.7% from HK$12.0 million for the six months ended 30 June 2012 to HK$10.6 million for the six months ended 30 June 2013. We also recorded increases in both of the number of projects of landscape architecture, town planning, interior design and heritage conservation and the relevant total project size by 22.4% and 17.9%, respectively, while our completion status decreased slightly by 2.5%.

Cost of services

We recorded a slight increase in cost of service of HK$2.5 million or 2.4% from HK$102.7 million for the six months ended 30 June 2012 to HK$105.2 million for the six months ended 30 June 2013. Such an increase was driven by the increase in direct labour costs and overhead by HK$7.9 million or 10.6% as a result of the increase in the number of technical staff employed for the six months periods ended 30 June 2012 and 2013, of which grew by 25.1%. The drop in other taxes and duties of HK$3.2 million partially offset the increase brought by the direct labour costs and overhead. In late 2012, the PRC started the tax reform to replace the business tax (營業稅) with value-added tax (增值稅). Instead of charging the business tax to cost of services as other taxes and duties prior to the tax reform, the value-added tax is taxed directly from the deducted from the revenue and therefore leading to a large decrease in other taxes and duties during the six months ended 30 June 2013.

Gross profit and gross profit margin

The gross profit increased by HK$16.9 million or 64.0% from HK$26.4 million for the six months ended 30 June 2012 to HK$43.3 million for the six months ended 30 June 2013.

Please refer to "Results of Operations — Gross profit and gross profit margin" in this section for details.

Administrative expenses

Our administrative expenses increased by HK$10.8 million or 81.8% from HK$13.2 million for the six months ended 30 June 2012 to HK$24.0 million for the six months ended 30 June 2013. Such an increase was mainly due to (i) a growth in staff costs by HK$5.7 million or 84.2% due to increase of the number of non-technical staff and the average salary and; (ii) HK$5.2 million of Share-based Payment. Please refer to "Results of Operations — Administrative expenses" in this section for details.

Income tax expense

For the six months ended 30 June 2013, the income tax expense increased by HK$2.3 million or 64.9% compared with the six months ended 30 June 2012 despite of the profit before taxation only increased by 0.5% whereas the effective tax rate increased from 26.2% to 43.0%. Included in the HK$5.9 million for the six months ended 30 June 2013, HK$2.1 million was attributable to tax effect of expenses not deductible for tax purpose which was mainly derived from the listing expenses and the Share-based Payment. The tax effect of expenses not deductible for tax purpose represented 15.1% of the profit before taxation for the six months ended 30 June 2013.

Profit for the period

Our profit for the period decreased by HK$2.3 million or 22.8% from HK$10.1 million for the six months ended 30 June 2012 to HK$7.8 million for the six months ended 30 June 2013.

Our net profit margin decreased from 7.8% for the six months ended 30 June 2012 to 5.3% for the six months ended 30 June 2013. The decrease in both of the profit for the period and the net profit margin was mainly attributable to the HK$5.2 million Share-based Payment as recorded under administrative expense and the HK$7.1 million listing expense, which representing 3.5% and 4.8% of the revenue for the six months ended 30 June 2013, respectively.

YEAR ENDED 31 DECEMBER 2012 COMPARED TO YEAR ENDED 31 DECEMBER 2011

Revenue

Our total revenue increased by HK$69.8 million or 35.2% from HK$198.5 million for the year ended 31 December 2011 to HK$268.3 million for the year ended 31 December 2012. Such increase was mainly attributable by the increase of revenue generated by our provision of service of architecture.

Architecture

Our revenue derived from our provision of service of architecture increased by HK$57.5 million or 31.4% from HK$183.1 million for the year ended 31 December 2011 to HK$240.6 million for the year ended 31 December 2012. We recorded an increase in both of the number of projects of architecture and the relevant total project size by 27.4% and 37.3%, respectively, while our average completion status recorded a slight growth of 1.9%.

Landscape architectural, town planning, interior design and heritage conservation

Our revenue derived from our provision of service of landscape architecture, town planning, interior design and heritage conservation increased by HK$12.3 million or 79.9% from HK$15.4 million for the year ended 31 December 2011 to HK$27.7 million for the year ended 31 December 2012. We recorded an increase in both of the number of projects of landscape architecture, town planning, interior design and heritage conservation and the relevant total project size by 49.0% and 9.7%, respectively, while our average completion status also rose by 7.7%.

Cost of services

The increase in cost of services by HK$53.8 million or 34.5% from HK$156.0 million for the year ended 31 December 2011 to HK$209.8 million for the year ended 31 December 2012 was primarily due to the increase in direct labour cost and overhead which grew by HK$41.4 million or 34.6% from HK$119.6 million for the year ended 31 December 2011 to HK$161.0 million for the year ended 31 December 2012. During the Track Record Period, the number of our staff of technical departments increased from approximately 330 to approximately 440 in order to cope with the expansion of our business. Our average salary increased slightly by 3.7%. Our sub-consultancy charges also increased by HK$4.5 million or 27.6% for each of the two years ended 31 December 2012, respectively. The number of our sub-consultancy increased by 8 or 20.5% from 39 to 47 for each of the two years ended 31 December 2012, respectively.

Gross profit and gross profit margin

As a result of the previously mentioned, the gross profit increased by HK$16.1 million or 38.0% from HK$42.4 million for the year ended 31 December 2011 to HK$58.5 million for the year ended 31 December 2012.

The gross profit margin maintained at a stable level of 21.4% and 21.8% for each of the two years ended 31 December 2012.

Administrative expenses

Our administrative expenses increased by HK$2.4 million or 10.8% from HK$22.2 million for the year ended 31 December 2011 to HK$24.6 million for the year ended 31 December 2012. Such an increase was mainly attributable by the increase in staff costs by HK$1.4 million and 11.5% mainly due to the increased number of our staff of non-technical department. Our legal and professional fee increased by HK$0.5 million or 288.4% and audit fee increased by HK$0.7 million or 724.7% as a result of our engagement with Deloitte Touche Tohmatsu in 2012 for their tax and audit services.

Income tax expense

We recorded an increase in income tax expense by HK$2.3 million or 42.8% as mainly due to the increase in profit before taxation. The effective tax rates were 29.3% and 22.0% for each of the two years ended 31 December 2012 respectively. The reason was mainly due to the Hong Kong profits tax is contributing to a higher proportion of the income tax expense, of which the profit before taxation was subjected to a lower tax rate in Hong Kong.

Profit for the year

Our profit for the year increased by HK$14.2 million or 109.2% from HK$13.0 million for the year ended 31 December 2011 to HK$27.2 million for the year ended 31 December 2012.

Our net profit margin increased significantly from 6.5% for the year ended 31 December 2011 to 10.1% for the year ended 31 December 2012 mainly due to the decrease in the proportion of administrative expenses to the total revenue from 11.2% for the year ended 31 December 2011 to 9.2% for the year ended 31 December 2012.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our working capital and capital expenditure principally through advances from banking facilities, finance leases and internally generated cashflow. Our primary uses of funds to finance our working capital and capital expenditure.

Working capital

Our Directors are of the opinion that, after taking into account the existing financial resources available to us, including our available banking facilities, if any, and internally generated funds, and the estimated net proceeds from the Placing, we have sufficient working capital for our present requirement for at least the next 12 months from the date of this prospectus.

Cash flows

The table sets out a summary of our combined cash flow statements for the years/periods indicated:

	Year ended 31 December		Six months ended 30 June	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Net cash generated from (used in) operating activities	20,482	6,816	(4,847)	(14,360)
Net cash (used in) from investing activities	(6,244)	(2,011)	125	1,196
Net cash used in financing activities	(6,040)	(5,085)	(93)	(255)
Net increase (decrease) in cash and cash equivalents	8,198	(280)	(4,815)	(13,419)
Cash and cash equivalents at the beginning of the year/period	20,643	29,098	29,098	29,054
Effect of foreign exchange rates	257	236	(136)	191
Cash and cash equivalents at the end of the year/period	29,098	29,054	24,147	15,826

Net cash flows generated from operating activities

Our Group derives its cash from operating activities from the receipt of payments for provision of our comprehensive architecture services. Our cash outflows from operating activities is principally for the payment of staff costs and rent.

For the year ended 31 December 2011, our net cash from operating activities was HK$20.5 million, primarily attributable to (i) operating cash flows before movements in working capital of HK$25.4 million; (ii) decrease in prepayments and other receivables of HK$3.5 million; and (iii) increase in amounts due to customers for construct work of HK$14.8 million, which is partially offset by (i) increase in amounts due from customers for contract work of HK$8.8 million; (ii) increase in progress billing receivable from contract customers of HK$1.9 million; (iii) decrease in trade payables of HK$2.2 million; (iv) decrease in accruals and other payables of HK$6.9 million; and (v) income tax paid of HK$3.2 million.

For the year ended 31 December 2012, our net cash from operating activities was HK$6.8 million, primarily attributable to (i) operating cash flows before movements in working capital of HK$39.4 million; (ii) increase in amounts due to customers for construct work of HK$33.5 million; and (iii) increase in accruals and other payables of HK$14.6 million, which is partially offset by (i) increase in amounts due from customers for contract work of HK$37.6 million; (ii) increase in progress billings receivable from contract customers of HK$41.2 million; and (iii) income tax paid of HK$6.7 million.

For the six months ended 30 June 2013, our net cash used in operating activities was HK$14.4 million, primarily attributable to (i) increase in amounts due from customers for contract work of HK$29.3 million; (ii) decrease in amounts due to customers for contract work of HK$7.1 million; (iii) decrease in accruals and other payables of HK$11.4 million; and (iv) income tax paid of HK$3.1 million, which is partially offset by (i) operating cash flows before movements in working capital of HK$20.0 million; and (ii) decrease in progress billings receivable from contract customers of HK$18.9 million.

Net cash flows used in investing activities

For the year ended 31 December 2011, our net cash used in investing activities was HK$6.2 million, primarily attributable to purchase of property, plant and equipment of HK$7.8 million, which was partially offset by proceeds from disposal of property, plant and equipment of HK$1.4 million.

For the year ended 31 December 2012, our net cash used in investing activities was HK$2.0 million, mainly attributable to purchase of property, plant and equipment of HK$4.0 million; which was partially offset by proceeds from disposal of available-for-sale financials of HK$1.8 million.

For the six months ended 30 June 2013, our net cash from investing activities was HK$1.2 million, mainly attributable to the proceeds from disposal of property, plant and equipment of HK$3.7 million which is partially offset by the purchase of property, plant and equipment of HK$2.5 million.

Net cash flows used in financing activities

For the year ended 31 December 2011 and 2012, our net cash used in financing activities was HK$6.0 million and HK$5.1 million, respectively, which were mainly attributable to dividends paid of HK$5.9 million and HK$4.9 million, respectively.

For the six months ended 30 June 2013, our net cash used in financing activities was HK$0.3 million, which was mainly attributable to the repayment of obligations under finance leases of HK$0.2 million.

Net current assets and selected items of combined statements of financial position

The following table sets out certain combined statements of financial position items of our Group as at 31 December 2011, 2012 and 30 June 2013 which are derived from, and should be read in conjunction with the combined statements of financial position set out in the Accountants' Report in Appendix I to this prospectus:

The table below sets out our Group's current assets, current liabilities and selected items of the combined statements of financial position as at the respective financial position dates indicated:

	As at 31 December		As at 30 June	As at 31 October
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	136,784	210,303	211,439	233,676
Non-current assets				
Property, plant and equipment	13,106	15,169	13,774	13,814
Goodwill	4,721	4,758	4,834	4,834
Intangible assets	4,373	3,235	2,676	2,278
Available-for-sale financial assets	1,783	–	–	–
Rental and utility deposits	3,263	3,251	3,378	2,962
Deferred tax assets	1,156	620	1,428	1,428
	28,402	27,033	26,090	25,316
Current assets				
Held-for-trading investments	3,788	554	485	561
Amounts due from customers for contract work	39,596	77,169	107,435	122,063
Progress billings receivable from contract customers	31,513	72,756	54,096	61,070
Prepayments and other receivables	1,436	1,993	3,540	3,361
Pledged bank deposits	1,744	1,744	1,744	1,745
Bank balances and cash	30,305	29,054	18,049	19,560
	108,382	183,270	185,349	208,360

	As at 31 December		As at 30 June	As at 31 October
	2011	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Trade payables	2,530	4,764	4,200	4,419
Accruals and other payables	22,284	36,885	25,717	23,189
Amounts due to customers for contract work	67,799	101,306	94,933	117,134
Obligations under finance leases	160	449	351	351
Income tax payable	4,642	5,292	10,009	11,185
Bank overdrafts	1,207	–	2,223	–
	98,622	148,696	137,433	156,278
Net current assets	9,760	34,574	47,916	52,082
Non current liabilities				
Obligation under finance lease	120	1,315	1,187	1,046

Our net current assets increased by HK$24.8 million from HK$9.8 million as at 31 December 2011 to HK$34.6 million as at 31 December 2012, which was mainly attributable to the increase in the aggregate balance of amounts due from customers for contract works and progress billings receivables from contract customers which outpaced the increase in the amounts due to customers for contract works. Our net current assets further increased to HK$47.9 million as at 30 June 2013 mainly due to (i) increase of amounts due from customers for contract work by HK$30.3 million and (ii) decrease in accruals and other payables by HK$11.2 million, which was partially offset by the decrease in progress billings receivables from contract customers for HK$18.7 million. For details of the fluctuations of amounts due from customers for contact work, progress billings receivable from contract customers, accruals and other payables and amounts due to customers for contract work, please refer to the paragraphs headed "Amount due from (to) customers for contract work", "Progress billings receivable from contract customers" and "Accruals and other payables" under this section in this prospectus.

There is no material fluctuation noted for our Group's net current assets as at 31 October 2013 when compared with that as at 30 June 2013.

Property, plant and equipment

The following table sets out the respective carrying values of our Group's property, plant and equipment:

	Buildings	Leasehold improve-ment	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CARRYING AMOUNT					
As at 31 December 2011	2,033	3,872	6,566	635	13,106
As at 31 December 2012	1,931	3,009	9,950	279	15,169
As at 30 June 2013	–	2,578	11,066	130	13,774

The total carrying amount of our Group's property, plant and equipment increased from HK$13.1 million as at 31 December 2011 to HK$15.2 million as at 31 December 2012. Such an increase was mainly due to our acquisition of a server and software for our operations amounted to HK$1.4 million during the year ended 31 December 2012.

The total carrying amount of our property, plant and equipment decreased by HK$1.4 million from HK$15.2 million as at 31 December 2012 to HK$13.8 million as at 30 June 2013 mainly due to our disposal of a staff quarter in PRC during the six months ended 30 June 2013.

Our Group also purchased office equipment and motor vehicles under finance lease during the year ended 31 December 2011 and 2012 and the six months period ended 30 June 2013. The table below sets out the carrying values of the property, plant and equipment held under finance leases as at the respective financial dates:

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Office equipment	–	1,211	1,068
Motor vehicles	466	200	67
	466	1,411	1,135

For details, please refer to "*Obligations under Finance Leases*" under this section.

Goodwill

Goodwill arose from the acquisition of 75% equity interest in LWK Yiheng during the year ended 31 December 2011 which is engaged in provision of comprehensive architecture services. For details of the goodwill arising on acquisition, please refer to *"Note 32 Acquisition of a Subsidiary"* under Appendix I to this prospectus.

For the purpose of impairment testing, goodwill has been included in one cash generating unit, represented by LWK Yiheng (the "**LWK Yiheng CGU**").

The carrying value of the goodwill is maintained at HK$4.7 million, HK$4.8 million, and HK$4.8 million as at 31 December 2011 and 2012 and 30 June 2013, respectively. The slight increase of HK$0.1 million of goodwill as at 31 December 2011 and 2012 and 30 June 2013 was due to the exchange realignment as a result of the appreciation in RMB, the original currency of the consideration of the acquisition, against Hong Kong dollars. Our management determines that there is no impairment on the LWK Yiheng CGU as at 31 December 2011 and 2012 and 30 June 2013. The recoverable amount of LWK Yiheng has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 19.13% as at 31 December 2011 and 2012 and 30 June 2013 respectively. LWK Yiheng's revenue growth rate during the 5-year period is not more than 3%, which is based on our management's estimate on LWK Yiheng's human resources capacity and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on LWK Yiheng's past performance and management's expectations for the market development. Our management determines that any reasonably possible change in any of these assumptions would not cause the carrying amount of the goodwill exceeds its recoverable amount.

Intangible assets

Intangible assets represented the license and club membership when our Company acquired LWK Yiheng in 2011. License is amortised to reflect the economic benefits derived from it over its remaining license period up to March 2015. On 29 September 2013, MOHURD issued a new Grade A Qualification to LWK Yiheng for a term of 5 years commencing from 29 September 2013 and expiring on 29 September 2018 and the amortisation of the license is adjusted prospectively. Club membership with an indefinite useful life is stated at cost less accumulated impairment losses.

	License	**Club membership**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 January 2011	–	569	569
Acquired on acquisition of a subsidiary	4,528	–	4,528
Exchange realignment	175	–	175
At 31 December 2011	4,703	569	5,272
Exchange realignment	37	–	37
At 31 December 2012	4,740	569	5,309
Exchange realignment	76	–	76
30 June 2013	4,816	569	5,385
AMORTISATION			
At 1 January 2011	–	–	–
Charge for the year	866	–	866
Exchange realignment	33	–	33
At 31 December 2011	899	–	899
Charge for the year	1,171	–	1,171
Exchange realignment	4	–	4
At 31 December 2012	2,074	–	2,074
Charge for the period	597	–	597
Exchange realignment	38	–	38
30 June 2013	2,709	–	2,709
CARRYING AMOUNT			
At 31 December 2011	3,804	569	4,373
At 31 December 2012	2,666	569	3,235
At 30 June 2013	2,107	569	2,676

Available-for-sale financial assets

The following table sets out the breakdown of the available-for-sale financial assets as at the financial position dates indicated:

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Listed investments:			
— Equity securities listed in Hong Kong	375	–	–
Unlisted investments:			
— Equity investment	34	–	–
— Mutual fund and unit trust	1,374	–	–
	1,408	–	–
	1,783	–	–

As at 31 December 2011, we had HK$1.8 million available-for-sale financial assets which were measured at fair value. The available-for-sale financial assets were held on trust by Rich World Services Limited. During the year ended 31 December 2012, our Group terminated the trust and on the same date disposed of all the available-for-sale financial assets to Mr. Liang and Mr. Fu, who are shareholders of Rich World. The carrying amount of the available-for-sale financial assets was HK$1.8 million as at the date of disposal and, accordingly, a gain on disposal of available-for-sale financial assets of HK$0.3 million has been recognised in profit or loss for the year ended 31 December 2012.

Rental and utility deposits

Rental and utility deposits mainly represented our deposits of rental and management fee for our office buildings and utility deposits e.g. car park, telephone charges etc.

Held-for-trading investments

The following table sets out our held-for-trading investments positions as at the financial position dates indicated:

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
— Equity securities listed in Hong Kong	3,253	–	–
— Unlisted trading fund in the PRC	535	554	485
	3,788	554	485

Our Group held HK$3.8 million, HK$0.6 million and HK$0.5 million as held-for-trading investments as at 31 Decembers 2011 and 2012 and 30 June 2013 respectively. The equity securities listed in Hong Kong were held on trust by Rich World. During the year ended 31 December 2012, our Group terminated the trust and on the same date disposed of all equity securities listed in Hong Kong to Mr. Liang and Mr. Fu, who are the shareholders of Rich World. The carrying amount of the equity securities listed in Hong Kong was HK$3.2 million as at the date of disposal. The unlisted trading fund in the PRC is a passive index fund mainly investing in the exchange traded funds of the Shenzhen Component Index (深證成份指數).

Amounts due from (to) customers for contract work

Amounts due from customers for contract work

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work which represented unbilled amounts earned and reimbursable under contracts. These amounts become billable according to the contract terms, which usually consider the achievement of milestones or completion of the project. Generally, such amount due from customers for contract work will be billed over the next twelve months.

Our amount due from customers for contract work increased by HK$37.6 million from HK$39.6 million as at 31 December 2011 to HK$77.2 million as at 31 December 2012, which further grew to HK$107.4 million as at 30 June 2013. Such increase was mainly due to the growth in number of projects and the project size. As at the years ended 31 December 2011 and 2012 and 30 June 2013, we recorded approximately 80 projects, approximately 110 projects and approximately 150 projects attributable to the amounts due from customers for contract work, respectively. While the revenue generated from provision of service of architecture contributed to around 90% of our total revenue, the relevant project size increased by 37.3% while our stage of completion increased slighted by 1.9% for two years ended 31 December 2012, respectively, as a result of our increased hired of technical staff for in 2012 by 33.3% in order to cope with the increased business volume. For the six months ended 30 June 2013, the total project size of architecture increased by 12.1%.

The following table sets out amounts due from customers for contract work by geographical location of the projects as at the financial position dates indicated:

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	5,579	12,175	25,514
PRC	34,017	64,994	80,602
— First tier cities (Note 1)	*3,902*	*16,499*	*24,514*
— Second tier cities (Note 2)	*21,842*	*27,652*	*33,350*
— Third tier cities and other PRC cities (Note 3)	*8,273*	*20,843*	*22,738*
Others (Note 4)	–	–	1,319
	39,596	77,169	107,435

Notes:

1. According to the Ipsos Report, first-tier cities include Beijing, Shanghai, Guangzhou, Shenzhen.

2. According to the Ipsos Report, second-tier cities include Chengdu, Chongqing, Shenyang, Hangzhou, Tianjin, Dalian, Wuhan, Suzhou, Nanjing, Qingdao, Xiamen, Xi'an, Ningbo, Changsha, Hefei, Zhengzhou, Wuxi, Dongguan, Jinan.

3. According to the Ipsos Report, third-tier cities include Fuzhou, Kunming, Changchun, Harbin, Foshan, Shijiazhuang, Nanning, Changzhou, Nanchang, Hohhot, Wenzhou, Yantai, Nantong, Zhuhai, Guiyang, Taiyuan, Urumqi, Shaoxing, Zhongshan, Jiaxing, Weifang, Tangshan, Xuzhou, Jinhua, Quanzhou, Luoyang, Lanzhou, Haikou, Jilin, Xiangyang, Shantou.

4. It includes projects located in Macau, Korea, Taiwan, Sri Lanka and Vietnam. During the Track Record Period notwithstanding that the projects were located in various jurisdictions, namely Hong Kong, the PRC, Macau, Korea, Taiwan, Sri Lanka and Vietnam, for all our projects, we provided our services in the offices of Hong Kong, the PRC and/or Macau only, cooperated with the local architectural companies with the relevant statutory licences and/or qualifications in the relevant jurisdictions and we did not set up any office in other jurisdictions.

Consistent with the increase in revenue, the amount due from customers for contract work were contributed by projects located in Hong Kong and the PRC. Amount due from customers for contract work generated by the projects located in Hong Kong attributed to HK$5.6 million or 14.1% and HK$12.2 million or 15.8% of the total amount due from customers for contract work as at 31 December 2011 and 2012 respectively, representing an increase of HK$6.6 million or 117.9% and attributable to HK$25.5 million or 23.7% of the total amount due from customers for contract work as at 30 June 2013 representing a further increase of HK$13.3 million or 109.0% comparing to the year ended 31 December 2012. Amount due from customers for contract work generated from projects located in the PRC remains as the largest contribution amounted to HK$34.0 million or

85.9% and HK$65.0 million and 84.2% as at the years ended 31 December 2011 and 2012 respectively, representing an increase of HK$31.0 or 91.2% and amounted to HK$80.6 million or 75.0% as at 30 June 2013 representing further increase of HK$15.6 million or 24.0% comparing to 31 December 2012.

The following table sets out amounts due from customers for contract work by types of client *(Note 1)* as at the financial position dates indicated:

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
HK Blue-chip Developers	16,218	44,549	63,515
HK Listed developers *(Note 2)*	16,947	18,085	18,738
HK unlisted developers	925	2,166	10,509
PRC developers *(Note 3)*	4,537	11,631	12,861
Others *(Note 4)*	969	738	1,812
	39,596	77,169	107,435

Notes:

1. The clients above are categorised into groups. If a client is listed on both of the stock exchanges of Hong Kong and the PRC, for the purpose of the table above, it is categorised as a Hong Kong listed company. For joint development by more than one clients, the client who controls and is in charge of the management office of that joint development is regarded as the principal client. For the purpose of the table above, such development is categorised as it belongs to that principal client.

2. This excludes the HK Blue-chip Developers.

3. This includes PRC state-owned developers, PRC listed developers and PRC unlisted developers. If the PRC state-owned developers and PRC listed developers are listed in Hong Kong, for the purpose of the table above, they are categorised as HK Blue-chip Developers or HK listed developers, as the case may be.

4. This includes but is not limited to the Government, public organisations in Hong Kong and the PRC government authorities.

Over 75% of our amount due from customers for contract work was attributable to Hong Kong listed developers. 41.1%, 57.7% and 59.1% of the total amount due from customers for contract work were contributed by HK Blue-chip Developers as at 31 December 2011 and 2012 and 30 June 2013 respectively, of which the relevant amount due from customers for contract work grew by HK$28.3 million or 174.7% comparing the years ended 31 December 2011 and 2012 and further grew by HK$19.0 or 42.7% as at 30 June 2013. 42.8%, 23.4% and 17.4% of the total amount due from customers for contract work were contributed by HK Listed developers as at 31 December 2011 and 2012 and 30 June 2013, respectively. Amount due from customers for contract work generated by the PRC developers, of which all such amounts represented PRC unlisted developers, attributed to 11.5%, 15.1% and 12.0% as at 31 December 2011 and 2012 and 30 June 2013 respectively, rose by HK$7.1 million or 156.4% comparing the years ended 31 December 2011 and 2012 and further rose by HK$1.2 million or 10.6% as at 30 June 2013.

As at 8 December 2013, being the Latest Practicable Date, we subsequently billed HK$24.0 million or 60.6% and HK$38.4 million or 49.7% for the amounts due from customers for contract work as at 31 December 2011 and 2012 respectively while HK$21.1 million or 87.9% and HK$34.4 million or 89.6% of the respective billed amount have been settled. As mentioned under "Business — Major contract terms — Typical duration of service contract and our production and payment cycle" in this prospectus, the typical duration of service contract for architecture, our mainstream of service contributing to 92.2% and 89.7% of the total revenue for each of the two years ended 31 December 2011 and 2012 respectively, was 44 to 63 months. The percentage of subsequently billed amount due from customers for contract work as at 31 December 2011 is consistent with our average duration of contact. The percentage of subsequently billed amount due from customers for contract work as at 31 December 2012 was relatively higher when comparing with that of the typical duration of contract. This was because we entered with more service contracts with more new PRC developers, of which we were usually able to bill and receive the first payment from the clients upon signing of the service contracts. As at 31 December 2012, approximately 5% of the subsequently settled and subsequently settled and billed amount due from customers for contract work was contributed by new PRC developers while only approximately 1% of the subsequently settled and subsequently settled and billed amount due from customers for contract work as at 31 December 2011 was contributed by the new PRC developers.

As at 8 December 2013, being the Latest Practicable Date, we subsequently billed HK$34.6 million or 32.2% for the amounts due from customers for contract work as at 30 June 2013 and received settlement of HK$21.4 million or 61.8% of the billed amount.

Amounts due to customers for contract work

For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. As at 31 December 2011 and 2012, the amounts due to customers for contract work were HK$67.8 million and HK$101.3 million respectively representing an increase of HK$33.5 million or 49.4%, of which was mainly arose from the relevant increase attributable by the projects located in the PRC. Included in the amounts due to customers for contract work, HK$49.7 million or 73.3% and HK$77.2 million or 76.2% were contributed by projects located in the PRC. The billing schedules agreed on the service contracts for the projects located in the PRC are usually stated at fewer phrases with larger billing amount relative to the total contract sum. Where we received cash settlement according to the billing schedules ahead of the revenue recognised based on the stage of completion with reference to the total contract costs, we recorded amount due to customers for contract work.

As at 30 June 2013, amounts due to customers for contract work decreased by HK$6.4 million or 6.3% compared with 31 December 2012 to HK$94.9 million which was mainly due to the decrease in new PRC projects as we usually bill and receive the first payment from the clients of our PRC projects upon signing of the service contract. Comparing the year ended at 31 December 2012 and the six months ended 30 June 2013, the contribution of amount due to customers for contract work attributed by new PRC projects dropped by 4.8%.

The following table sets out our amounts due from customers for contract work positions as at the financial position dates indicated:

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Contracts in progress at the end of the reporting period			
Costs incurred to date plus recognised profits less recognised losses	733,098	824,715	904,751
Less: progress billings	(761,301)	(848,852)	892,249
	(28,203)	(24,137)	12,502
Analysed for reporting purposes as:			
Amounts due from customers for contract work	39,596	77,169	107,435
Amounts due to customers for contract work	(67,799)	(101,306)	(94,933)
	(28,203)	(24,137)	12,502

Progress billings receivable from contract customers

Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under progress billings receivable from contract customers. Progress billings receivable from contract customers primarily comprised of amounts billed to clients for services already provided, but which have not yet been collected. Occasionally, under the terms of specific contracts, we are permitted to submit invoices in advance of providing our services to our clients and, to the extent they have not been collected, these amounts are also included in progress billings receivable from contract customers. The following table sets out our progress billings receivable from contract customers positions as at the financial position dates indicated:

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Gross amount	32,894	73,307	54,647
Less: Allowance for doubtful debts	(1,381)	(551)	(551)
	31,513	72,756	54,096

The progress billings receivable from contract customers increased by HK$41.3 million or 131.1% from HK$31.5 million as at 31 December 2011 to HK$72.8 million as at 31 December 2012. Such an increase was mainly contributable by the increase for the projects located in the PRC which grew by HK$35.3 million. As at 30 June 2013, the progress billings receivable from contract customers dropped to HK$54.1 million by HK$18.7 million or 25.6% compared with 31 December 2012 mainly due to the relevant contribution by the projects located in the PRC which decreased by HK$23.1 million partially offset by the increase in the relevant contribution for the projects located in Hong Kong by HK$5.9 million. In 2012, LWK Hong Kong started to enter service contracts with some PRC companies for settlement directly transmitted from the PRC to Hong Kong. Such settlement has to go through various administration procedures under the control of foreign exchange imposed by the PRC (the "PRC foreign exchange control")*(Note)* and therefore led to the increased settlement time. The relevant progress billings receivable from contract customers were HK$25.8 million as at 31 December 2012 and HK$11.4 million as at 30 June 2013 respectively.

Note: According to the Administrative Regulations on Foreign Exchange of the PRC (revised in 2008) (中華人民共和國外匯管理條例(2008年修訂)), the Circular of SAFE on Issuance of the List of Administrative Licensing Items of SAFE (國家外匯管理局關於發佈《國家外匯管理局行政許可項目表》的通知) (匯發[2010]43號), the Circular of SAFE on Issuance of the Operational Rules for the Management of Non-trade Sales and Purchases of Foreign Exchange and Domestic Residents Individual Foreign Exchange (Trial) (國家外匯管理局關於下發《非貿易售付匯及境內居民個人外匯收支管理操作規程》(試行)的通知) (匯發[2002]29號), and the Circular of SAFE on Adjusting the Administrative Policies on Foreign Exchange Account under Current Accounts (國家外匯管理局關於調整經常項目外匯管理政策的通知) (匯發[2006]19號), where a PRC company intends to make payment to an overseas company under current accounts, such PRC company shall file the relevant contract (agreement), vouchers (payment order) and/or tax certification with the designated bank or competent SAFE branch to go through the procedures for the purchase and payment of foreign exchange.

According to the Circular of SAFE on Printing and Forwarding the Regulations on Foreign Exchange Administration for Trade in Services (國家外匯管理局關於印發服務貿易外匯管理法規的通知) (匯發[2013]30號), the Circular of SAFE on Issuance of the Operational Rules for the Management of Non-trade Sales and Purchases of Foreign Exchange and Domestic Residents Individual Foreign Exchange (Trial) became invalid on 18 July 2013, meanwhile, the Guidelines on Foreign Exchange Administration for Trade in Services (服務貿易外匯管理指引) and the Rules for Implementation of the Guidelines on Foreign Exchange Administration for Trade in Services (服務貿易外匯管理指引實施細則) were promulgated by SAFE to provide further guidance to the procedures of foreign exchange control.

In order to manage the credit risks associated with progress billings receivable from contract customers effectively, credit limits of customers are evaluated periodically. Before accepting any new customer, our Group conducts research on the creditworthiness of the new customer and assesses the potential customer's credit quality. Progress billings receivables from contract customers that are neither past due nor impaired are of good credit quality according to our Group's evaluation.

Progress billings receivable from contract customers are individually assessed for indicators of impairment at the end of each reporting period. Progress billings receivable from contract customers are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. Objective evidence of impairment for individual progress billing receivable from contract customers could include our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The following table sets out the movement of the allowance for doubtful debts at the dates indicated:

	As at 31 December		**As at 30 June**
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year/period	1,182	1,381	551
Recognised during the year/period	1,330	–	–
Amounts written off as uncollectible	(1,131)	(830)	–
At end of the year/period	1,381	551	551

As at 31 December 2011 and 2012, we recorded allowance for doubtful debts amounted to HK$1.4 million and HK$0.6 million respectively for two clients and one client respectively as such amounts have been long outstanding. Our Group does not hold any collaterals over these balances. The allowance for doubtful debts remained the same as at 30 June 2013 when compared with 31 December 2012. There has been no further movement to the allowance for doubtful debts as at 30 June 2013. Our management has been working closely to follow up with the clients in respect of the allowance for doubtful debts contained.

The following table sets out the progress billings receivable from contract customers by geographical location of the projects as at the financial position dates indicated:

	As at 31 December				As at 30 June	
	2011		2012		2013	
	HK$'000	Average credit period offered (Note 5)	HK$'000	Average credit period offered (Note 5)	HK$'000	Average credit period offered (Note 5)
Hong Kong	7,572	103	13,150	141	19,049	143
PRC	23,685	67	58,978	98	34,989	82
— First tier cities (Note 1)	*258*	*180*	*11,161*	*158*	*3,774*	*40*
— Second tier cities (Note 2)	*13,563*	*97*	*10,702*	*118*	*16,109*	*118*
— Third tier cities and other PRC cities (Note 3)	*9,864*	*21*	*37,115*	*75*	*15,106*	*54*
Others (Note 4)	256	180	628	180	58	180
	31,513		72,756		54,096	

Notes:

1. According to the Ipsos Report, first-tier cities include Beijing, Shanghai, Guangzhou, Shenzhen.

2. According to the Ipsos Report, second-tier cities include Chengdu, Chongqing, Shenyang, Hangzhou, Tianjin, Dalian, Wuhan, Suzhou, Nanjing, Qingdao, Xiamen, Xi'an, Ningbo, Changsha, Hefei, Zhengzhou, Wuxi, Dongguan, Jinan.

3. According to the Ipsos Report, third-tier cities include Fuzhou, Kunming, Changchun, Harbin, Foshan, Shijiazhuang, Nanning, Changzhou, Nanchang, Hohhot, Wenzhou, Yantai, Nantong, Zhuhai, Guiyang, Taiyuan, Urumqi, Shaoxing, Zhongshan, Jiaxing, Weifang, Tangshan, Xuzhou, Jinhua, Quanzhou, Luoyang, Lanzhou, Haikou, Jilin, Xiangyang, Shantou.

4. It includes projects located in Macau, Korea, Taiwan, Sri Lanka and Vietnam. During the Track Record Period, notwithstanding that the projects were located in various jurisdictions, namely Hong Kong, the PRC, Macau, Korea, Taiwan, Sri Lanka and Vietnam, for all our projects, we provided our services in the offices of Hong Kong, the PRC and/or Macau only, cooperated with the local architectural companies with the relevant statutory licences and/or qualifications in the relevant jurisdictions and we did not set up any office in other jurisdictions.

5. Average credit period offered equals the total of the credit period offered to each client times their relevant progress billing receivables from contract customers divided by the total progress billing receivables from contract customers of the referenced category.

Disregard of the location of the projects, we generally determine our credit period offered to our clients based on their identity and background, business relationship and credit history with us. In addition, we also consider the location of the signing project companies i.e. Hong Kong or the PRC as part of our credit management policy. Therefore, the average credit period for the progress billings receivable from contract customers by geographical location of the projects depend on the identity of the underlying clients and the project companies would usually be in the same location as the project companies.

*Progress billings receivable from contract customers generated by projects located in Hong Kong ("**Progress billings receivable from Hong Kong**")*

Progress billings receivable from Hong Kong accounted for 24.0%, 18.1% and 35.2% of the total balance as at 31 December 2011 and 2012 and 30 June 2013 respectively while the average credit period were 103 days, 141 days and 143 days as at the corresponding year/period ends. Majority of the clients under the progress billings receivable from Hong Kong were attributable to HK Blue-chip Developers and HK Listed developers, amounted to a proportion of 82.5%, 58.3% and 82.2%. We generally granted a longer credit period to these clients after taking the consideration that the service contracts were entered with their Hong Kong project companies in addition to our business relationship and their credit history with us. As at 31 December 2011 and 2012 and 30 June 2013, 43.9%, 69.5% and 57.2% of the progress billings receivable from Hong Kong were due from the clients with credit period granted for 180 days and amongst 30.0%, 27.8% and 40.2% of the progress billings receivables from Hong Kong were due from HK Blue-chip Developers and HK Listed developer whereas 2.6%, 11.1% and 0.2% of the progress billings receivables from Hong Kong were due from Hong Kong government authorities.

*Progress billings receivable from contract customers generated by projects located in the PRC ("**Progress billings receivable from the PRC**")*

Majority of our progress billings receivable from contract customers are due from projects located in the PRC attributed to 75.2%, 81.1%, 64.7% as at the years ended 31 December 2011 and 2012 and 30 June 2013 respectively and the average credit period were relatively short as 67 days, 98 days, 82 days as at 31 December 2011 and 2012 and 30 June 2013 respectively. Despite the progress billings receivable from the PRC due from HK Blue-chip Developers and HK Listed developers attributable to 91.4%, 52.2% and 67.3% at 31 December 2011 and 2012 and 30 June 2013, the average credit period were short comparing to that of progress billings receivable from Hong Kong. It is mainly due to the service contracts were entered directly with the PRC project companies of the HK Blue-chip Developers and HK Listed developers and we generally offer a shorter credit period after considering the location of the project companies. As at 31 December 2011 and 2012 and 30 June 2013, 64.0%, 25.4% and 36.7% of the progress billings receivable from the PRC due from HK Blue-chip Developers and HK Listed developers were granted with credit period being 45 days or less. In 2012, we entered a service contract with a new client who was also one of the five largest clients, a PRC developer, for its projects in a third tier city in the PRC, whom we granted 180 days credit period. Such client contributed to 21.0% and 12.0% of the progress billings receivable from the PRC as at 31 December 2012 and 30 June 2013 and 5.6% and 6.7% of the total revenue for the respective period. The average credit period as at 31 December 2012 and 30 June 2013 were therefore driven up.

The following table sets out progress billings receivable from contract customers by types of client *(Note 1)* as at the financial position dates indicated:

	As at 31 December				As at 30 June	
	2011		2012		2013	
	HK$'000	*Average credit period offered* *(Note 5)*	*HK$'000*	*Average credit period offered* *(Note 5)*	*HK$'000*	*Average credit period offered* *(Note 5)*
HK Blue-chip Developers	21,779	90	28,164	132	31,280	106
HK Listed developers *(Note 2)*	6,749	26	10,762	28	7,908	97
HK unlisted developers	200	160	6,192	180	3,586	173
PRC developers *(Note 3)*	1,072	13	22,629	98	10,095	77
Others *(Note 4)*	1,713	80	5,009	45	1,227	103
Total:	31,513		72,756		54,096	

Notes:

1. The clients above are categorised into groups. If a client is listed on both of the stock exchanges of Hong Kong and the PRC, for the purpose of the table above, it is categorised as a Hong Kong listed company. For joint development by more than one clients, the client who controls and is in charge of the management office of that joint development is regarded as the principal client. For the purpose of the table above, such development is categorised as it belongs to that principal client.

2. This excludes the HK Blue-chip Developers.

3. This includes PRC state-owned developers, PRC listed developers and PRC unlisted developers. If the PRC state-owned developers and PRC listed developers are listed in Hong Kong, for the purpose of the table above, they are categorised as HK Blue-chip Developers or HK listed developers, as the case may be.

4. This includes but is not limited to the Government, public organisations in Hong Kong and the PRC government authorities.

5. Average credit period offered equals the total of the credit period offered to each client times their relevant progress billing receivables from contract customers divided by the total progress billing receivables from contract customers of the referenced category.

*Progress billings receivables from contract customers from HK Blue-chip Developers ("**Progress billings receivable from HK Blue-chip Developers**")*

Progress billings receivable from HK Blue-chip Developers attributed to 69.1%, 38.7%, 57.8% as at 31 December 2011 and 2012 and 30 June 2013 respectively, which is consistent with our revenue that 57.3%, 50.5% and 54.9% for each of the respective years or period were generated from the HK Blue-chip Developers. As at 31 December 2011 and 2012 and 30 June 2013, 91.2%, 59.8% and 39.4% of the progress billings receivable from HK Blue-chip Developers were contributed by our five largest clients customers for the respective year or period and our credit period offered was generally over 120 days. The average credit period were relatively 90 days, 132 days and 106 days as at 31 December 2011 and 2012 and 30 June 2013 respectively. Though we usually grant a longer credit period to the HK Blue-chip Developers after considering their background, business relationship and credit history with us, we also consider the location of the signing project company i.e. a Hong Kong project company or PRC project company when determining the credit period. In 2012, we granted long credit periods to three of our clients for their project companies located in the PRC since we believe these clients will bring about further business opportunities to us. As at 31 December 2012, 47.9% of the progress billings receivable from HK Blue-chip Developers was contributed by the said three clients with credit period of 180 days. On the other hand, as at 31 December 2011 and 30 June 2013, only 23.9% and 6.4% of the progress billings receivable from HK Blue-chip Developers were due from the PRC project companies with 180 days.

*Progress billings receivables from contract customers from HK Listed Developers ("**Progress billings receivable from HK Listed Developers**")*

Progress billings receivable from HK Listed Developers represented 21.4%, 14.8% and 14.6% of the total progress billings from contract customers as at 31 December 2011 and 2012 and 30 June 2013 respectively. The average credit periods were 26 days, 28 days and 97 days respectively. During the Track Record Period, we entered projects with the PRC project companies of the HK Listed Developers, which represented 54.9%, 73.1% and 54.0% of the progress billings receivable from HK Listed Developers, which are granted with a shorter credit period. As at 31 December 2011 and 2012 and 30 June 2013, 54.9%, 69.4% and 39.4% of the progress billings receivable from HK Listed developers were of nil credit period after considering the identity and background and business relationship with us. As at 30 June 2013, the average credit period was longer since six clients out of 13 or 52.3% of the progress billings receivable from HK Listed Developers acquired 180 days of credit period as the management considered these clients were valuable to the Group and looked forward to establish better business relationship with them.

*Progress billings receivables from contract customers from HK unlisted developers ("**Progress billings receivable from HK unlisted developers**")*

Progress billings receivable from HK unlisted developers only contributed to 0.6%, 8.5% and 6.6% as at 31 December 2011 and 2012 and 30 June 2013 respectively. As at 31 December 2011 and 2012, 77.5% and 99.5% progress billings receivable from HK unlisted developers was contributed by one client and two clients as at the respective year ends. These clients were reputable Hong Kong private developers and have had long term business relationship with us and maintained a healthy credit history. We therefore provided a credit period of 180 days to them. As at 30 June 2013, the two clients contributing to the major amount of progress billings receivable from HK unlisted developers as aforementioned continued to attribute to a significant proportion of the relevant amount up to 84.1%.

*Progress billings receivables from contract customers from PRC developers ("**Progress billings receivable from PRC developers**")*

Progress billings receivable from PRC developers, of which all such amounts represented PRC unlisted developers, contributed to 3.4%, 31.1% and 18.7% as at 31 December 2011 and 2012 and 30 June 2013 respectively. The average credit periods of PRC developers were 13 days, 98 days and 77 days as at the respective year or period ends. We usually grant a short credit period to the PRC developers and in fact, generally with nil credit period as an approach of our conservative credit management policy. The average credit period as at 31 December 2012 and 30 June 2013 grew significantly comparing to that of 31 December 2011 thanks to a new client entered in 2012, who was also one of five largest clients for its projects located in a third tier city in the PRC. After considering the business relationship with the client, our Group offered it a credit period of 180 days and therefore dragged up the average credit period. This client contributed to 54.6% and 41.5% of the progress billings receivable from PRC developers as at 31 December 2012 and 30 June 2013 respectively.

The following table sets out an aged analysis of progress billings receivable from contract customers, presented based on the invoice date at the dates indicated, and net of allowance recognised:

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	15,661	22,997	20,719
Over 30 days and within 90 days	7,545	32,426	21,988
Over 90 days and within 180 days	5,930	11,946	3,816
Over 180 days	2,377	5,387	7,573
	31,513	72,756	54,096

The following table sets out our aging of progress billings receivables at the end of each reporting period, which are past due but not impaired:

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Past due within 30 days	7,612	12,159	9,936
Past due over 30 days and within 90 days	3,530	9,802	7,600
Past due over 90 days and within 180 days	2,399	5,890	3,179
Past due over 180 days	1,709	417	3,953
	15,250	28,268	24,668

Our Directors regarded the HK$15.3 million or 48.4%, HK$28.3 million or 38.9%, and HK$24.7 million or 45.6% of the total progress billings receivable from contract customers as at 31 December 2011 and 2012 and 30 June 2013, respectively, as past due but not impaired. The amounts of past due but not impaired was also due to the relatively short credit period our Group granted to our clients as a result of our risk adverse approach in order to better control the credit risk. Included in the amounts of past due but not impaired, HK$8.7 million or 56.7%, HK$21.7 million or 76.7% and HK$16.5 million or 66.8% as at each of the two years ended 31 December 2012 and the six months ended 30 June 2013 respectively, were due from the clients granted with nil credit period. These clients included the PRC project companies of the HK Blue-chip Developers and HK Listed developers as well as the PRC developers. In fact, included in the past due but not impaired, HK$14.1 million or 92.1%, HK$25.3 million or 89.4% and HK$21.7 million or 87.8% were attributable to the clients with credit period being 45 days or less. In addition, due to there are also long administration process and therefore the process time of both our Company and the customers. In some cases, the progress billings receivables from contract customers may due before the invoice physically reaches to the clients. Such progress billings receivable from contract customers relate to a number of independent customers that have a good track record with our Group. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Directors confirm that in respect of the long-outstanding progress billing receivables which are overdue but not impair, there has been no dispute between the Group and the relevant clients.

As at 8 December 2013, being the Latest Practicable Date, HK$31.5 million or 100.0%, HK$69.3 million or 95.3%, and HK$39.8 million or 73.6% of progress billings receivable from contract customers for the years ended 31 December 2011 and 2012 and 30 June 2013, respectively, were settled. Included in the subsequently settled progress billings receivable from contract customers, HK$15.3 million, HK$25.6 million and HK$18.2 million as at 31 December 2011 and 2012 and 30 June 2013 respectively represented the subsequent settlement of the progress billings receivables from contract customers being past due but not impaired. The following table sets out our subsequent settlement of the progress billings receivables as at the financial position dates indicated:

	As at 31 December		**As at 30 June**
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Current	16,263	43,749	21,560
Past due but not impaired	15,250	25,587	18,236
	31,513	69,336	39,796

The following table sets out the debtors' turnover days for the year/period indicated:

	Year ended 31 December		Six months ended 30 June
	2011	2012	2013
Debtors' turnover days[Note]	50.3 days	96.6 days	88.2 days

Note: Debtors' turnover days equals the progress billings receivable from contract customers as at the respective year/period ended divided by the total revenue of progress billings for the year/period, multiple by days of each year/period.

The debtors' turnover days were 50.3 days, 96.6 days and 88.2 days for each of the two years ended 31 December 2012 and the six months ended 30 June 2013, respectively, which were generally consistent with our credit period within 90 days in general and up to 180 days. The increase in debtors' turnover days was mainly contributed by the lengthened settlement time arisen from the settlement subject to the PRC foreign exchange control. The relevant progress billings receivable from contract customers amounted to HK$25.8 million representing 35.5% as at 31 December 2012 and HK$11.4 million representing 20.7% as at 30 June 2013 of the total progress billings receivable from contract customers.

Prepayments and other receivables

Our prepayments and other receivables mainly consisted of prepayments and advances to staff. The following table sets out the breakdown of our prepayments and other receivables as at the financial position dates:

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	807	823	2,242
Advances to staffs	425	758	549
Other receivables	204	412	749
	1,436	1,993	3,540

As at 31 December 2011 and 2012, the prepayments and other receivables amounted to HK$1.4 million and HK$2.0 million respectively, of which the growth was consistent with the expansion of the business operations. As at 30 June 2013, the prepayments and other receivables amounted to HK$3.5 million with an increase of HK$1.5 million or 77.6% when compared with 31 December 2012, of which HK$1.4 million represented the prepayment of listing expenses as at 30 June 2013.

Trade payables

Trade payables increased by HK$2.3 million from HK$2.5 million as at 31 December 2011 to HK$4.8 million as at 31 December 2012, mainly due to a trade payable to one of our top suppliers in 2012 for its sub-consultancy services amounted to HK$2.0 million. As at 30 June 2013, our trade payables was HK$4.2 million.

The following table sets out the aged analysis of our trade payables presented based on the invoice as at the financial position dates indicated:

	As at 31 December		**As at 30 June**
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	1,129	3,646	1,630
Over 30 days and within 90 days	291	247	836
Over 90 days	1,110	871	1,734
	2,530	4,764	4,200

The credit period on trade payables is generally 30-60 days. Our Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

The following table sets out the creditors' turnover days for the year/period indicated:

	Year ended 31 December		**Six months ended 30 June**
	2011	**2012**	**2013**
Creditors' turnover days[Note]	56.6 days	83.6 days	63.5 days

Note: Creditors' turnover days equals the trade payables as at the respective year/period divided by the total cost of service of sub-consultancy charges for the year/period, multiple by days of each year/period.

Our creditors turnover days were 56.6 days, 83.6 days and 63.5 days for each of the two years ended 31 December 2012 and the six months ended 30 June 2013, respectively. Our creditors' turnover days were generally consistent with the credit period offered by our sub-consultants while that as at 31 December 2012 was higher. Included in the HK$4.8 million trade payables as at 31 December 2012, HK$2.0 million or 42.0% of the trade payables was due to our one of our major sub-consultants arose from the late delivery of its invoice at the respective year end.

Accruals and other payables

The following table sets out the accruals and other payables as at the financial position dates indicated:

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Accrued payroll and bonuses	19,778	24,053	11,207
Deposits from customers	–	7,248	7,890
PRC other tax payables	920	3,111	2,556
Accrued expenses and other payables	1,586	2,473	4,064
	22,284	36,885	25,717

As at 31 December 2012, our accruals and other payables increased by HK$14.6 million or 65.5% compared with 31 December 2011 as a result of growth of our business and therefore, we recorded an increase in all categories. As at 30 June 2013, the accruals and other payables decreased to HK$25.7 million compared with 31 December 2012 mainly due to the decrease in accrued payroll and bonuses.

Our accrued payroll and bonuses rose by HK$4.3 million or 21.7% from HK$19.8 million as at 31 December 2011 to HK$24.1 million as at 31 December 2012. Such an increase was mainly due to the increase in accrued bonus as a result of our improved business performance and the total number of employees in 2012. As at 30 June 2013, our accrued payroll and bonuses decreased by HK$12.9 million or 53.5% compared with 31 December 2012 to HK$11.2 million mainly due to only six months of the bonuses were accrued while a full year of bonuses were accrued as at 31 December 2011 and 2012.

We recorded deposits from customers for HK$7.2 million and HK$7.9 million as at 31 December 2012 and 30 June 2013 respectively for customers for their projects located in the PRC in order for them to secure our services.

We recorded an increase of PRC other tax payables by HK$2.2 million or 244.4% from HK$0.9 million as at 31 December 2011 to HK$3.1 million as at 31 December 2012 mainly due to the increased of our PRC staff in 2012 resulted the increase in personal income tax payable as a result of our increased number of employees in the PRC. As at 30 June 2013, the PRC other tax payables decreased to HK$2.6 million compared with 31 December 2012 mainly because our Group no longer accrued for the business tax since the tax reform started in late 2012.

Accrued expenses and other payables represented the general operating expenses payable. It increased by HK$0.9 million from HK$1.6 million as at 31 December 2011 to HK$2.5 million as at 31 December 2012, mainly attributable to payable to Deloitte Touche

Tohmatsu arose from their provision of the audit and tax services in 2012. The accrued expenses and other payables further increased to HK$4.1 million as at 30 June 2013, of which HK$3.0 million represented the provision of listing expenses. The accrued audit fee as at 31 December 2011 and 2012 and as at 30 June 2013 were HK$75,000, HK$0.8 million and HK$0.3 million respectively.

Obligation under finance leases

Our Group entered into finance leases to lease our office equipment and motor vehicles. The lease term was 5 years for the years ended 31 December 2011 and 31 December 2012 and the six month ended 30 June 2013, respectively. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging at 2.90% per annum for the year ended 31 December 2011, and ranging from 2.90% to 6.04% per annum for the year ended 31 December 2012 and ranging from 2.90% to 6.04% per annum for the six months ended 30 June 2012 and 2013. Our Group's obligation under finance leases are secured by the lessor's charge over the leased assets.

	Minimum lease payments at 31 December			Present value of minimum lease payments at 31 December		
			30 June			**30 June**
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:						
Within one year	183	536	445	160	449	351
In more than one year but not more than two years	138	399	400	120	344	335
In more than two years but not more than five years	–	1,037	891	–	971	852
	321	1,972	1,736	280	1,764	1,538
Less: Future finance charges	(41)	(208)	(198)	–	–	–
Present value of lease obligations	280	1,764	1,538	280	1,764	1,538
Less: Amounts due for settlement within 12 months (shown under current liabilities)				(160)	(449)	(351)
Amounts due for settlement after 12 months				120	1,315	1,187

Related parties transactions

Our Group entered into the following transactions with our related parties during the Track Record Period:

(1) During the two years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013, Mr. Liang provided a personal security guarantee to secure the bank overdrafts of our Group, the details of which are set out in note 28 under Appendix I to this prospectus and "*Indebtedness*" under this section.

(2) During the year ended 31 December 2012, our Group terminated a trust arrangement with Rich World and disposed of all available-for-sale financial assets and all held-for-trading equity securities listed in Hong Kong to Mr. Liang and Mr. Fu, who are shareholders of Rich World, with carrying amounts, which are the same as their fair values, of HK$1.8 million and HK$3.2 million, respectively, as at the date of the disposal. The details are set out in notes 18 and 21 under Appendix I to this prospectus and "*Available-for-sale financial assets*" and "*Held-for-trading investments*" in this section. Rich World is a company controlled by Mr. Liang.

(3) On 31 December 2012, 40% of the equity interest in LWK Conservation was transferred to LWK Hong Kong from, Mr. Lee Chung Ming Eric, a director of LWK Conservation, at a cash consideration of HK$1.00. The details are set out in note 2 of the combined statements of changes in equity under Appendix I to this prospectus.

(4) During the two years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013, sub-consultancy charges amounting to approximately HK$0.8 million, HK$0.8 million, HK$0.4 million and nil, respectively, were paid by LWK Conservation to a related company, which is controlled by Mr. Lee Chung Ming Eric a director of LWK Conservation.

(5) On 11 June 2013, LWK Hong Kong and LWK Conservation, a wholly owned subsidiary of LWK Hong Kong, acquired the entire quota capital of LWK Macau from Mr. Liang and Mr. Fu at a cash consideration of MOP30,000 (equivalent approximately to HK$29,000).

(6) On 10 June 2013, Mr. Liang and Mr. Fu transferred 79,310 and 33,990 shares of LWK Hong Kong (representing, in aggregate, 11.33% of the entire issued share capital of LWK Hong Kong), respectively, to Mr. Wang for a total consideration of HK$8.28 million. Details are set out in note 4 of the combined statements of changes in equity in Appendix I to the prospectus.

(7) On 21 June 2013, LWK Hong Kong entered into equity transfer agreement with Mr. Wang to acquire additional 24% interest in LWK Yiheng, a non-wholly owned subsidiary of LWK Hong Kong, for a cash consideration of RMB2.8 million (equivalent to approximately HK$3.6 million). The acquisition has been completed on 28 August 2013.

KEY FINANCIAL RATIOS

The following table sets out key financial ratios of our Group during the years/period:

	Year ended 31 December 2011	Year ended 31 December 2012	Twelve months ended 30 June 2013
Profitability ratios			
Return on assets(1) (%)	8.8	12.1	9.1
Return on equity(2) (%)	36.0	46.7	29.5

	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
Liquidity ratios			
Current ratio(3)	1.1x	1.2x	1.3x

Capital adequacy ratio

	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
Gearing ratio(4) (%)	4.4	3.1	5.4

	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2013
Interest coverage(5)	274.4x	546.2x	186.6x

Notes:

1. Return on assets is calculated based on the net profit attributable to the owners of our Company for the year/period divided by the total assets at the end of the respective year/period and multiplied by 100%. For meaningful comparison across the Track Record Period, we use net profit attributable to the owners of our Company for the twelve-month period ended 30 June 2013 in computing the return on assets for the twelve months ended 30 June 2013.

2. Return on equity is calculated based on the net profit attributable to the owners of our Company for the year/period divided by the total equity attributable to the owners of our Company at the end of the respective year/period multiplied by 100%. For meaningful comparison across the Track Record Period, we use net profit attributable to the owners of our Company for the twelve-month period ended 30 June 2013 in computing the return on equity for the twelve months ended 30 June 2013.

3. Current ratio is calculated based on the total current assets at the end of the year/period divided by the total current liabilities at the end of the respective year/period.

4. Gearing ratio is calculated based on total debt at the end of the year/period divided by total equity at the end of the respective year/period multiplied by 100%. Total debt represents bank overdrafts and obligation under finance leases.

5. Interest coverage is calculated based on the net profit before interest and tax for the respective year/period divided by the interest expenses for the respective year/period.

Return on assets

Return on assets for each of the two years ended 31 December 2012 were 8.8% and 12.1%, respectively. The increase was due to the significant growth in net profit attributable to the owner of our Company by 111.0% while that of total assets only rose by 53.7%. The net profit margin of our Company rose from 6.5% for the year ended 31 December 2011 to 10.1% for the year ended 31 December 2012. Our gross profit margin maintained at 21.4% and 21.8% for each of the two years ended 31 December 2012, respectively while the administrative expense attributed to 11.2% and 9.2% of the total revenue, respectively driving up the net profit margin and therefore, the return on assets.

Our return on assets decreased to 9.1% for the twelve months ended 30 June 2013, which was mainly due to the decrease net profit attributable to the owners of our Company and our total assets only increased by 0.5% comparing that as at 31 December 2012. The net profit attributable to the owners of the Company decreased by 24.3% comparing the year ended 31 December 2012 and the twelve month period ended 30 June 2013. The decrease in net profit attributable to owners of the Company was mainly due to the recognition of the Share-based Payments in the administrative expenses and the listing expenses incurred during the six months ended 30 June 2013. For details of the administration expenses, please refer to "Results of Operations — Administration Expenses" under this section.

Return on equity

Return on equity were 36.0% and 46.7% for each of the two years ended 31 December 2012, respectively. The increase was due to the growth rate of net profit attributable to the owners of our Company of 111.0% exceeded that of the total equity attributable to the owners of our Company of 62.7% as discussed under "*Return on assets*" under this section.

Return on equity dropped to 29.5% for the twelve months ended 30 June 2013 due to (i) the decrease in net profit attributable to owners of our Company and (ii) the increase in equity attributable to the owners of the Company. For details of the fluctuation of the net profit attributable to owners of our Company, please refer to the discussion under "Return on assets" under this section. The equity attributable to the owners of the Company as at 30 June 2013 was HK$65.2 million which rose by 20.1% from HK$54.2 million as at 31 December 2012. Included in the equity attributable to the owners of the Company as at 30 June 2013, HK$5.2 million represented the recognition of Share-based Payment as equity while HK$5.1 million represented the profit for the twelve months ended 30 June 2013 attributable to owners of our Company. For details share-based payment recognised as equity, please see Note 4 under "Combined Statements of Changes in Equity" in Appendix I in this prospectus.

Current ratio

As at 31 December 2011 and 2012, our current ratio were 1.1x and 1.2x, respectively. As at 31 December 2011 and 2012, 65.6% and 81.8% of the current assets were attributable by total of amounts due from customers for contract work and progress billings receivable from contract customers amounted to HK$71.1 million and HK$149.9 million, respectively, whereas 68.7% and 68.1% of current liabilities were attributed by amounts due to customers for contract work amounted to HK$67.8 million and HK$101.3 million, respectively. The increase in total of amount due from customers for contract work and progress billings receivable from contract customers outweighed the increase in amount due to customers for contract work leading to an increase in current ratio.

As at 30 June 2013, the current ratio further increased to 1.3x. The current assets increased by 1.1% and the current liabilities decreased by 7.6% as at 30 June 2013 compared with 31 December 2012. The increase in current assets was mainly due to the growth of the total of amounts due from customers for contract work and progress billings receivable from contract customers increased by HK$11.6 million or 7.7% from HK$149.9 million as at 31 December 2012 to HK$161.5 million as at 30 June 2013. The decrease in current liabilities was mainly due to the drop of the amounts due to customers for contract work by HK$6.4 million or 6.3% from HK$101.3 million as at 31 December 2012 to HK$94.9 million as at 30 June 2013. As at 30 June2013, the total of amount due from customers for contract work and progress billings receivable from contract customers attributed to 87.1% of the current asset and the amount due to customers for contract work attributed to 69.1% of the current liabilities.

Gearing ratio

Gearing ratio were 4.4% and 3.1% as at 31 December 2011 and 2012, respectively. Despite we recorded an increase in total debt, our total equity grew in a faster pace contributed by the net profit for the year ended 31 December 2012.

As at 30 June 2013, the gearing ratio further grew to 5.4% which was mainly due to the bank overdrafts amounted to HK$2.2 million as at 30 June 2013 while it was nil as at 31 December 2012.

Interest coverage ratio

Interest coverage ratio were 274.4x, 546.2x, and 186.6x for each of the two years ended 31 December 2012 and the six months ended 30 June 2013, respectively. The interest expense incurred was mainly due to the bank overdrafts and obligations under finance leases. While the interest expense maintained as at similar level for both years ended 31 December 2012, our profit before interest and tax for the year ended 31 December 2012 increased by 90.1% compared with the year ended 31 December 2011 as a result of our business expansion led to an increase in the interest coverage ratio. Despite the interest coverage ratio decreased to 186.6x for the six months ended 30 June 2013, it is still attained at a high level. The decrease was mainly due to the drawdown of the bank overdrafts during the period to finance the daily operations of our Group and the listing expenses.

CAPITAL EXPENDITURES

The following table sets out our capital expenditure as at the financial position dates indicated:

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Leasehold land and buildings	–	–	–
Leasehold improvement	4,313	–	–
Furniture, fixtures and office equipment	3,514	5,698	2,493
Motor vehicles	–	–	–
	7,827	5,698	2,493

OPERATING LEASE COMMITMENTS

As at 31 December 2011 and 2012, our Group had contracted for the following future minimum lease payments:

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Within one year	11,554	11,694	12,635
In the second to fifth years inclusive	7,082	6,276	3,816
	18,636	17,970	16,451

Operating lease payments represent rentals payable by our Group for certain of our office properties and staff quarter. Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

CONTINGENT LIABILITIES

As at the close of business on the Latest Practicable Date, our Group did not have any material contingent liabilities.

INDEBTEDNESS

The following table sets out our Group's indebtedness as at the respective financial position dates below.

	As at 31 December		As at 30 June	As at 31 October
	2011	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Long-term obligation under finance leases	120	1,315	1,187	1,046
Short term obligation under finance leases	160	449	351	351
Bank overdrafts	1,207	–	2,223	–
	1,488	1,764	3,761	1,397

As at 31 December 2011 and 2012 and 30 June 2013, our Group had unutilised banking facilities of HK$1.2 million, HK$2.4 million and HK$0.2 million, respectively. The banking facilities for each of the two years ended 31 December 2012 and for the six months ended 30 June 2013, respectively, were secured by a short-term bank deposits pledged by our Company with an aggregate carrying amount of HK$1.7 million at 31 December 2011, 31 December 2012 and 30 June 2013, to banks to secure general banking facilities granted to our Company.

Our Group entered into a revolving facility agreement for overdraft with a bank in Hong Kong in 2009 with an interest rate charging at higher of 1.5% per annum over prime or 3.5% per annum over HIBOR, whichever is higher, payable monthly in arrears for the purpose of meeting the general working capital needs. The obligation of our Group under the above facility was guaranteed by Mr. Liang as at 31 October 2013. Such personal guarantees will be released upon Listing. As at 31 October 2013, being the date of the indebtedness statement, our Group has not drawn down any of the banking facility and the banking facility amounting to HK$2.4 million was available. As at 31 October 2013, the banking facility was secured by pledged bank deposits of HK$1.7 million. None of our banking facilities are subject to any material covenants that restrict our Group to undertake additional debt or equity financing.

For details of the obligation under finance leases, please refer to "Obligation under finance leases" under this section. As at 31 October 2013, being the date of the indebtedness statement, our Group had outstanding obligations under hire purchase contracts (classified as finance leases for accounting purpose) of HK$1.4 million secured by certain of the Group's office equipment.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities at the close of business on 31 October 2013, being the date of the indebtedness statement. Save as disclosed herein, our Group has no existing plan on making additional external debt financing.

Our Directors have confirmed that there has not been any material adverse change in our Group's indebtedness and contingent liabilities since 31 October 2013, being the date for determining our Group's indebtedness.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our Group's and our Company's major financial instruments include available-for sale financial assets, rental and utility deposits, held-for-trading investments, amounts due from customers for contract work, progress billings receivable from contract customers, prepayments and other receivables, pledged bank deposits, bank balances and cash, trade payables, accruals and other payables, obligations under finance leases and bank overdrafts. The risks associated with these financial instruments include interest rate risk, currency risk, other price risk and credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to its variable-rate pledged bank deposits, bank balances and bank overdrafts and exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases. Our Group currently does not have an interest rate hedging policy. However, our management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Our Group is exposed to fluctuation of HIBOR in respect of its bank overdrafts.

Currency risk

Certain bank balances of our Group are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

At the end of each reporting period, LWK Hong Kong, of which its functional currency is HK$, had amounts due from LWK Shenzhen and LWK Yiheng at 31 December 2011 and 2012 and amounts due to LWK Shenzhen and LWK Yiheng at 30 June 2013 which are denominated in RMB. These aggregate intra-group balances are approximately HK$1.7 million and HK$3.8 million and HK$0.4 million as at 31 December 2011 and 2012 and 30 June 2013, respectively.

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

Our Company considers that the currency risk of other foreign currency denominated assets/liabilities is insignificant for disclosure.

Credit risk

Our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2011 and 2012 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the combined statements of financial position. In order to minimise the credit risk, our management of our Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group review the recoverable amount of each individual progress billing receivable and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of our Group considers that our Group's credit risk is significantly reduced.

Our Group's concentration of credit risk by geographical locations of the projects is in the PRC, which accounted for HK$16.7 million and HK$53.7 million and 35.9 million of the total progress billings receivables as at 31 December 2011 and 2012 and 30 June 2013, respectively.

The credit risk on liquid funds (i.e. pledged bank deposits and bank balances) is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows.

Risk of cash flow mismatch

Our Group receives cash inflow upon the collection of settlement of invoices which issued upon achievement of specific milestones. On the other hand, the costs of our Group mainly staff payroll are paid on a monthly basis leading to a cash outflow. As a result, our Group's business may be exposed to the risk of cash flow mismatch. In order to mitigate such risk, our Group has set up credit risk management policy. Please refer to the section headed "Business — Credit Risk And Cash Flow Management" for further details.

DIVIDEND AND DIVIDEND POLICY

During the year ended 31 December 2011 and 2012, interim dividend of HK$5,880,000 (HK$5.880 per share) and HK$4,893,000 (HK$4.893 per share) were declared and paid by LWK Hong Kong to its then shareholders.

No dividend is paid or proposed during the six months ended 30 June 2012 and 2013.

Subject to the Cayman Companies Law, our Memorandum of Association and the Articles of Association, our Directors may, by resolution, authorise a distribution to our Shareholders if our Directors are satisfied, on reasonable grounds, that immediately after the distribution we will be able to pay our debts as they fall due and the value of our assets will exceed our liabilities.

Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders by any means which our Directors deem legal, fair and practicable. It should be noted that historical dividend distributions, if any, are not indicative of our future dividend distribution policy.

Our distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that we may consider relevant, and is subject to our discretion.

DISTRIBUTABLE RESERVE

Our Company was incorporated on 13 May 2013, as at 30 June 2013, our Company had no reserves available for distribution to our shareholders.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we had not owned any properties. For details related to our leased properties, please refer to the section headed "Business — Property" in this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Placing may have affected the combined net tangible assets of the Group attributable to owners of our Company had it occurred as of 30 June 2013. It has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of our Group.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2013	Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on Placing Price of HK$0.7 per Placing Share	58,702	18,738	77,440	0.43
Based on Placing Price of HK$0.9 per Placing Share	58,702	27,423	86,125	0.48

Notes:

1. The audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2013 is based on the combined net assets of the Group attributable to owners of the Company, after deducting intangible asset (net of tax effect) attributable to owners of the Company amounted to HK$1,614,000 and goodwill amounted to HK$4,834,000, extracted from the accountant's report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Placing are based on 45,000,000 Placing Shares at indicative Placing Prices of HK$0.7 and HK$0.9 per Placing Share respectively, after deduction of the estimated placing commission and other related fees and expenses, other than fees and expenses already recognised in profit or loss as of 30 June 2013, paid/payable by the Company of approximately HK$12,762,000 and HK$13,077,000 respectively and assuming the options granted under the Pre-IPO Share Option Scheme and the Offer Size Adjustment Option are not exercised.

3. The number of shares used for the calculation of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is based on 180,000,000 shares comprise of shares in issue as at date of this prospectus and those shares to be issued pursuant to the Placing and the effect of the Capitalisation Issue, and without taking into account any Shares which may be issued upon exercise of any options granted under the Pre-IPO Share Option Scheme and the Offer Size Adjustment Option.

4. No adjustments have been made to the unaudited pro forma financial information to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2013.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that, save as disclosed above, they are not aware of any circumstances which would give rise to the disclosure obligation under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Save for information disclosed in the prospectus, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 30 June 2013, being the date to which our latest audited combined financial statements were prepared.