



思城控股有限公司

C CHENG HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock code: 8320

PLACING

Sole Sponsor



China Everbright Capital Limited

Sole Bookrunner and Sole Lead Manager



China Everbright Securities (HK) Limited

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



C CHENG HOLDINGS LIMITED 思城控股有限公司

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares	:	45,000,000 Shares (subject to the Offer Size Adjustment Option)
Placing Price	:	Not more than HK\$0.9 per Placing Share and expected to be not less than HK\$0.7 per Placing Share (payable in full upon application in Hong Kong dollars, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%)
Nominal value	:	HK\$0.01 each
Stock code	:	8320

Sole Sponsor



China Everbright Capital Limited

Sole Bookrunner and Sole Lead Manager



China Everbright Securities (HK) Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under Section 342C of the Companies Ordinance (Chapter 32 of the laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Placing Price is expected to be determined by the Price Determination Agreement between the Sole Lead Manager and our Company on or before Wednesday, 18 December 2013. If, for any reason, the Sole Lead Manager and our Company are unable to reach an agreement on the Placing Price by 9:00 p.m. (Hong Kong time) on Wednesday, 18 December 2013, the Placing will not become unconditional and will lapse immediately. The Placing Price will fall within the Placing Price range stated in this prospectus unless otherwise announced, as explained below. Investors applying for Placing Shares must pay the maximum Placing Price of HK\$0.9 per Placing Share together with brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. The Sole Lead Manager may, with the consent of our Company, reduce the indicative Placing Price range below that as stated in this prospectus (which is HK\$0.7 per Placing Share to HK\$0.9 per Placing Share) at any time on or prior to the morning of the last day for lodging applications under the Placing. In such a case, notice of the reduction in the indicative Placing Price range will be available on the GEM website at www.hkgem.com and the website of our Company at www.cchengholdings.com. If applications for Placing Shares have been submitted prior to the day which is the last day for lodging applications under the Placing, then even if the Placing Price is so reduced such applications cannot be subsequently withdrawn.

If, for any reason, the Placing Price is not agreed between the Sole Lead Manager and our Company on or before Wednesday, 18 December 2013 or such later date as may be agreed by the Sole Lead Manager and our Company, the Placing will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Placing Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by notice in writing to be given by the Sole Lead Manager upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting Arrangements, Commissions and Expenses — Grounds for Termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. It is important that prospective investors refer to that section for further details.

16 December 2013

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

A separate announcement will be issued if there is any change to the following expected timetable. (*Note 1*)

Expected Price Determination Date on
or before (*Note 2*) Wednesday, 18 December 2013

Announcement of the final Placing Price,
the indication of the level of interests
in the Placing to be published on our
Company's website (www.cchengholdings.com) and
the GEM website (www.hkgem.com) on or before Thursday, 19 December 2013

Allotment of Placing Shares on or before Thursday, 19 December 2013

Deposit of share certificates into CCASS
on or before (*Notes 3 and 4*) Thursday, 19 December 2013

Dealings in the Shares on GEM to commence on
at 9:00 a.m. on Friday, 20 December 2013

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
2. The Price Determination Date is expected to be on Wednesday, 18 December 2013. If, for whatever reason the Sole Lead Manager and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not proceed and will lapse.
3. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on Thursday, 19 December 2013 for credit to the respective CCASS Participant's stock accounts designated by the Underwriters, the placees or their agents, as the case may be. No temporary documents or evidence of title will be issued.
4. Share certificates will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be Friday, 20 December 2013) provided that (i) the Placing becomes unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements, Commissions and Expenses — Grounds for Termination" below has not been exercised thereto and has lapsed.
5. No dealing in the Placing Shares should take place prior to the Listing Date. Investors who trade the Placing Shares on the basis of publicly available allocation details prior to the receipt of the share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

Particulars of the structure of the Placing, including the conditions thereto, are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

Pursuant to the force majeure provisions contained in the Underwriting Agreement, the Sole Lead Manager has the right in certain circumstances, subject to its sole and absolute opinion to terminate the obligations of the Underwriters under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Friday, 20 December 2013). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances.

You should rely on the information contained in this prospectus to make your investment decision.

Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents, affiliates or representatives of any of them or any other person or parties involved in the Placing.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As the following is only a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before making any decision to invest in the Placing Shares.

Various expressions used in this summary are defined in the section headed "Definitions" in this prospectus.

BUSINESS OVERVIEW

We are a comprehensive architectural service provider in Hong Kong and the PRC. We have five major practice areas: (a) architecture; (b) landscape architecture; (c) town planning; (d) interior design; and (e) heritage conservation. With the acquisition of 75% equity interest in LWK Yiheng on 2 April 2011, an enterprise with the Grade A Qualification, we have expanded our operations in the PRC, with services covering from conceptual design to building completion of a property development in the PRC, and therefore, we are able to provide our clients with a more comprehensive architectural service.

For each of the two years ended 31 December 2012 and the six months ended 30 June 2013, our total revenue was HK\$198.5 million, HK\$268.3 million and HK\$148.5 million, respectively, and during the same period, our profit for the year/period was HK\$13.0 million, HK\$27.2 million and HK\$7.8 million, respectively. Architecture is our mainstream of practice and revenue generated from this practice area accounted for 92.2%, 89.7% and 92.9% for each of the two years ended 31 December 2012 and the six months ended 30 June 2013, respectively. According to the Ipsos Report, we ranked seventh in terms of total revenue in the Hong Kong architectural service industry in 2012.

We principally obtain business by invited tendering. After we receive the invitation to tender from our clients, we will go through a systematic tender review procedure to make a competitive tender submission. Our scope of work depends on the terms of the service contract, which usually determines our role(s) and the stage(s) to be involved in the development project. It also determines the work we are required to complete. In general, we provide a wide range of service to our clients, including design, feasibility study, production of drawings, statutory submission of building plans and site supervision. Our service fee is paid on a lump sum basis and by way of stage payment according to the progress of the project.

We were involved in over 470 projects with 193 clients during the Track Record Period. Our clients include (i) HK Blue-chip Developers; (ii) HK listed developers; (iii) HK unlisted developers; and (iv) PRC developers. For each of the two years ended 31 December 2012 and the six months ended 30 June 2013, we generated revenue of

SUMMARY

approximately 57.3%, 50.5% and 52.9%, respectively, from our clients being the HK Blue-chip Developers. We have established long-term business relationships with our clients. For each of the two years ended 31 December 2012 and the six months ended 30 June 2013, 37.8%, 28.8% and 49.9%, respectively, of our revenue was generated from our clients who have 10 years or longer business relationships with us.

Most of our revenue was generated from projects located in the PRC. During the Track Record Period, we had over 320 projects in around 30 cities in the PRC, covering from first tier cities in the coastal region to third tier cities in the central and western regions of the PRC. For each of the two years ended 31 December 2012 and the six months ended 30 June 2013, we generated revenue of 79.7%, 73.6% and 68.5% from our PRC projects, respectively.

BUSINESS MODEL

Being a comprehensive architectural service provider, we have an integrated business model covering from design, project administration to supervision of a project development. The following table provides an illustration of our business model:

Design	Project Administration	Supervision
<ul style="list-style-type: none">• Diversified project teams	<ul style="list-style-type: none">• Co-ordination with the consultants and/or contractors	<ul style="list-style-type: none">• Site supervision
<ul style="list-style-type: none">• Systematic allocation of work	<ul style="list-style-type: none">• Statutory submission(s)	<ul style="list-style-type: none">• Building inspection
<ul style="list-style-type: none">• Quality control		<ul style="list-style-type: none">• Rectification work

During the provision of our service to our clients, we may also engage sub-consultants for the services such as model making, animation, computer graphic design, curtain-wall design and engineering consultancy. As such, our suppliers are the sub-consultants engaged by us in the project. We usually grant a credit period of 90 days and up to 180 days to our clients. Our suppliers usually grant us a credit period for 30 to 60 days.

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. The following factors will usually be considered in pricing of our projects: (i) project type; (ii) project location; (iii) stages involved; (iv) gross total area of the site; (v) design requirements; (vi) expected completion time; (vii) complexity; (viii) the costs to engage sub-consultants (if necessary); (ix) expected labour required; and (x) risk factors associated with the project. We will also make reference to the previous projects or proposals.

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In general, the major contract terms of our service contract are about (i) scope of work; and (ii) terms of payment. The contract term about scope of work usually states our role(s) and the stage(s) to be involved, and the work we are required to complete in the development project. The contract term about terms of payment determines our service fee and the payment schedule. In general, an entire development project carried out by a developer involves the following stages: (i) conceptual design; (ii) schematic design; (iii) design development; (iv) construction documentation; (v) construction works; and (vi) building completion. Our service fee is paid on a lump sum basis and by way of stage payment according to the progress of the project. Other contract terms usually appeared in our service contract include copyright and ownership of plans, and requirements in relation to insurance.

Being a comprehensive architectural service provider, we rely heavily on our professional staff. As at 30 June 2013, we had over 550 employees. As such, our key costs component is the staff payroll.

COMPETITIVE ADVANTAGES

Our Directors believe that our Group possesses the following competitive advantages:

- we are one of the leading local architectural service providers in Hong Kong;
- we provide comprehensive architectural service to our clients;
- we have stable and long-term client relationships with sizeable developers;
- we have a diversified clientele base with clients from cities of different tiers in the PRC;
- we have gained wide market recognition in Hong Kong and the PRC; and
- we have an established multi-office operation model within our Group.

BUSINESS OBJECTIVES AND STRATEGIES

Our primary business objectives are (i) to strengthen our position as being one of the leading local architectural service providers in Hong Kong; and (ii) to expand our market share in the architectural service industry in the PRC. The following are our strategies to achieve the same:

- to enhance our information technology infrastructure;
- to carry out marketing activities in the PRC; and
- to expand our offices and teams.

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FUTURE PLANS AND USE OF PROCEEDS

Assuming a Placing Price of HK\$0.8 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.7 to HK\$0.9 per Placing Share, the net proceeds from the Placing, after deducting the estimated commission and expenses of approximately HK\$20.0 million in relation to the Placing and the Listing (including the GEM Listing fees, legal and other professional fees, and printing fees), are estimated to amount to approximately HK\$16.0 million (assuming the Offer Size Adjustment Option is not exercised). Our Group intends to apply such net proceeds from the Placing as follows:

Use	Approximate percentage or amount of net proceed to be applied
To enhance our information technology infrastructure	Approximately 31.2% or HK\$5.0 million
To carry out marketing activities in the PRC	Approximately 12.5% or HK\$2.0 million
To expand our offices and teams	Approximately 56.3% or HK\$9.0 million

If the Offer Size Adjustment Option is exercised in full, assuming a Placing Price of HK\$0.8 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.7 to HK\$0.9 per Placing Share, the net proceeds will be increased by approximately HK\$5.2 million. Our Directors intend to apply such additional proceeds for the above purposes on a pro-rata basis.

SUMMARY OF OUR FINANCIAL PERFORMANCE

The tables below present a summary of our financial information for the years/period indicated and should be read in conjunction with our financial information as set out in Appendix I to this prospectus.

SUMMARY

Key information from combined statements of profit or loss and other comprehensive income

	Year ended		Six months ended	
	31 December		30 June	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(Unaudited)</i>	
Revenue	198,478	268,282	129,077	148,508
<i>Architecture</i>	183,069	240,563	117,065	137,951
<i>Landscape architecture, town planning, interior design and heritage conservation</i>	15,409	27,719	12,012	10,557
Gross profit	42,429	58,526	26,422	43,283
Gross profit margin	21.4%	21.8%	20.5%	29.1%
Profit for the year/period	12,952	27,228	10,085	7,828
Net profit margin	6.5%	10.1%	7.8%	5.3%

Revenue

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 HK\$69.8 million or 35.2%, which was mainly attributable to the increase of revenue generated from the provision of service of architecture. Revenue derived from the 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 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%. Revenue derived from the 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 the number of our 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%.

Our revenue increased 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 HK\$19.4 million or 15.0%. Such increase was attributable to the increase of revenue generated from the 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. Revenue derived from the 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 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

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both periods. Revenue derived from the 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 recorded an increase in both the number of our 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 average completion status decreased slightly by 2.5%.

Gross profit and gross profit margin

Our gross profit amounted to HK\$42.4 million, HK\$58.5 million, HK\$26.4 million and HK\$43.3 million for each of the two years ended 31 December 2012 and six months ended 30 June 2012 and 2013, respectively, representing the gross profit margin of 21.4%, 21.8%, 20.5% and 29.1%, respectively.

Profit for the year/period

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.

Our profit for the six months 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% to 5.3% for the six months ended 30 June 2012 and 2013 respectively. The decrease in both of the net profit and net profit margin was due to the HK\$5.2 million share-based payment (the “**Share-based Payment**”) recorded under administrative expenses and HK\$7.1 million listing expenses representing 3.5% and 4.8% of the revenue respectively during the six months ended 30 June 2013. 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, which amounted to HK\$5.2 million for the six months ended 30 June 2013. For details of the transactions, please refer to the section headed “History, Reorganisation and Group Structure — History and Development — Pre-IPO investment” in this prospectus.

SUMMARY

Key information from combined statements of financial position

	As at 31 December		As at
	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2013</i> <i>HK\$'000</i>
Total non-current assets	28,402	27,033	26,090
Total current assets	108,382	183,270	185,349
<i>Amounts due from customers for contract work</i>	39,596	77,169	107,435
<i>Progress billings receivables from contract customers</i>	31,513	72,756	54,096
Total current liabilities	98,622	148,696	137,433
<i>Accruals and other payables</i>	22,284	36,885	25,717
<i>Amounts due to customers for contract work</i>	67,799	101,306	94,933
Net current assets	9,760	34,574	47,916
Total non-current liabilities	4,031	4,995	3,785

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. As at 31 December 2011 and 2012, the amounts due from customers for contract work amounted to HK\$39.6 million and HK\$77.2 million respectively, representing an increase of HK\$37.6 million or 95.0% whereas the respective amounts due from customers for contract work attributable to 28.9% and 36.7% of the total assets respectively. As at 31 December 2011 and 2012, the progress billings receivable from contract customers amounted to HK\$31.5 million and HK\$72.8 million respectively, representing an increase of HK\$41.3 million or 131.1% whereas the respective amounts of progress billings receivable from contract customers attributable to 23.0% and 34.6% of the total assets respectively. The net current assets as at 30 June 2013 further increased to HK\$47.9 million comparing to 31 December 2012, which was mainly attributable to the increase of amounts due from customers for contract work by HK\$30.2 million and decrease in accruals and other payables by HK\$11.2 million and was partially offset by the decrease in progress billings receivables from contract customers for HK\$18.7 million. As at 30 June 2013, the amounts due from customers for contract work amounted to HK\$107.4 million representing an increase of HK\$30.3 million or 39.2% compared with 31 December 2012 and contributed to 50.8% of the total assets. The progress billings receivable from contract customers as at 30 June 2013 amounted to HK\$54.1 million representing a decrease of HK\$18.7 million or 25.7% compared with 31 December 2012 and contributed to 25.6% of the total assets. 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 Financial Information in this prospectus.

SUMMARY

In addition, 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 for the six months ended 30 June 2013, respectively.

SELECTED KEY FINANCIAL RATIOS

Set out below is a summary of the key financial ratios of our Group during the Track Record Period:

	Year ended 31 December 2011	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	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	2012	As at 30 June 2013
Gearing ratio ⁽⁴⁾ (%)	4.4	3.1	5.4
	Year ended 31 December 2011	2012	Six months ended 30 June 2013
Interest coverage ⁽⁵⁾	274.4x	546.2x	186.6x

Notes:

- 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.

SUMMARY

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.

RECENT DEVELOPMENT

Our business model, revenue and cost structure remained unchanged since 30 June 2013. Based on our unaudited management accounts, our unaudited revenue for the ten months ended 31 October 2013 was HK\$246.9 million which is higher than that for the ten months ended 31 October 2012 amounted to HK\$213.7 million. The gross profit margin during the ten months ended 31 October 2013 was 28.2% which was similar to that for the six months ended 30 June 2013.

During the five months period ended 30 November 2013, we have entered 22 new contracts and a total contract sum of HK\$50.7 million. Consistent with the Track Record Period, 77.9% of the contract sum represented projects located in the PRC and 22.1% represented projects located in Hong Kong. For the five months ended 30 November 2013, we issued progress billings of HK\$240.4 million to our clients. Progress billings is a non-GAAP financial measure which represents the revenue of the Company on a cash-basis.

As at 31 October 2013, the cash and cash equivalents was HK\$19.6 million which increased by HK\$3.8 million from HK\$15.8 million as at 30 June 2013. The increase was mainly attributed by the net cash from operating activities generated during the four months period ended 31 October 2013 amounted to HK\$11.0 million and partly offset by the payment of the Listing expenses amounted to HK\$5.8 million and settlement of purchase of property, plant and equipment for HK\$1.4 million.

As far as we are aware, there was no material change in the general economic and market conditions in the construction industry in Hong Kong and the PRC that had materially and adversely affected our business operations or financial conditions since 30 June 2013 and up to the Latest Practicable Date. Our Directors confirm that, up to the date of this prospectus, there has been no other material adverse change in our financial or trading position or prospects since 30 June 2013, being the date to which our latest audited financial statements were prepared.

SUMMARY

SIGNIFICANT DETERIORATION IN FINANCIAL PERFORMANCE DUE TO 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 for the 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. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2013 would be significantly affected by the estimated Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Our Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. The share options to subscribe for 12,525,000 Shares were granted under the Pre-IPO Share Option Scheme on 6 December 2013, while no options have been granted under the Share Option Scheme as at the date of this prospectus. The fair value of the share options granted under the Pre-IPO Share Options Scheme calculated by an external valuer (based on the mid-point of our indicative price range for the placing), is approximately HK\$2.9 million, which will be charged to the combined statements of profit or loss and comprehensive income of our Group over the vesting period by reference to the fair value at the date on which the share option are granted. Accordingly, our estimated share-based expenses to be recorded for the year ending 31 December 2013, 2014, 2015 and 2016 for the share options granted on 6 December 2013 under the Pre-IPO Share Option Scheme is approximately HK\$0.1 million, HK\$1.3 million, HK\$1.1 million and HK\$0.4 million respectively.

STATISTICS OF THE PLACING

	Based on a Placing Price of HK\$0.9 per Placing Share	Based on a Placing Price of HK\$0.7 per Placing Share
Market capitalisation of the Shares ^(Note 1)	HK\$162 million	HK\$126 million
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share ^(Note 2)	HK\$0.48	HK\$0.43

SUMMARY

Notes:

1. The calculation of the market capitalisation of our Shares is based on an issued capital of 180,000,000 Shares, being the number of the Shares in issue immediately following the completion of the Placing and the Capitalisation Issue but not taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme.
2. 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.

OUR SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (but not taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme), our Company will be owned as to 46.15% by Mr. Liang, our executive Director and Controlling Shareholder.

DIVIDENDS

For each of the two years ended 31 December 2012, an interim dividend of HK\$5,880,000 (HK\$5.880 per share) and HK\$4,893,000 (HK\$4.893 per share) was declared and paid by LWK Hong Kong to its then shareholders, respectively.

After completion of the Placing, our Shareholders will be entitled to receive dividends only when declared by our Directors. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant and will be subject to our constitutional documents and the Cayman Companies Law including the approval of our Shareholders.

SUMMARY

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. They can be broadly categorised into risks associated with us, our industry and the Placing, among which, the relatively material risks encompass the following:

- (i) we rely on our professional staff to render comprehensive architectural service to our clients. The loss of service of these professional staff and failure to find suitable replacements could adversely and significantly affect our operations and financial position;
- (ii) our continued success depends on our responsiveness to our client's preference and culture which are highly subjective in nature;
- (iii) we determine the tender price based on, among other things, the estimated time and costs involved in a project, which may deviate from the actual time and costs involved;
- (iv) our service fee may not be paid in full due to suspension or failure of our client's projects;
- (v) our Group's business is subject to a number of licences, approvals and qualifications, such as the Grade A Qualification. The refusal by relevant authorities to renew the relevant licences would interrupt our business;
- (vi) our business and results of operations are affected by the demand for our services from property developers in Hong Kong, which in turn is subject to the performance of the property market in Hong Kong; and
- (vii) our business depends on the growth of the PRC property markets and we are susceptible to the demand for our services from property developers in the PRC, which in turn is subject to the performance of the PRC property market.

Details of these risks are set out in the section headed "Risk Factors" in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

“Articles of Association” or “Articles”	the articles of association of our Company adopted on 5 December 2013, with effect from Listing, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	has the meaning ascribed to it under the GEM Listing Rules
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 97,000,000 Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the paragraph headed “A. Further Information about our Company — 3. Written Resolutions” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant(s)”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China Everbright” or “Sole Sponsor”	China Everbright Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities

DEFINITIONS

“China Everbright Securities” or “Sole Bookrunner” or “Sole Lead Manager”	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
“Companies Law” or “Cayman Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong
“Company” or “our Company”	C Cheng Holdings Limited (思城控股有限公司), a company incorporated in the Cayman Islands with limited liability on 13 May 2013
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, namely Mr. Liang, Rainbow Path and Veteran Ventures
“Corporate Governance Code”	Appendix 15 to the GEM Listing Rules (as amended, supplemented or otherwise modified from time to time)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 16 December 2013 given by our Controlling Shareholders in favour of our Company regarding certain indemnities, details of which are set out in the paragraph headed “F. Other Information — 1. Tax indemnity and indemnity relating to compliance matter” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 16 December 2013 given by our Controlling Shareholders in favour of our Company regarding the non-competition undertaking, details of which are set out in the section headed “Controlling, Substantial and Significant Shareholders — Non-competition Undertaking” in this prospectus

DEFINITIONS

“Director(s)”	the director(s) of our Company
“EIT Law and its implementing rules”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“Government”	The Government of Hong Kong
“Group” or “our Group” or “we” or “us”	our Company and its subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the businesses carried on by such subsidiaries or (as the case may be) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“Helffrich Ventures”	Helffrich Ventures Limited, a company incorporated in the BVI with limited liability on 15 January 2013 and is a direct wholly-owned subsidiary of our Company
“HK\$” or “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards and Interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Union Registrars Limited, the Hong Kong branch share registrar of our Company
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with any member of our Group, our Directors, chief executive and Substantial Shareholder of our Company and our subsidiaries and their respective associates

DEFINITIONS

“Ipsos”	Ipsos Hong Kong Limited, an Independent Third Party, being a professional market research company
“Ipsos Report”	the industry report prepared by Ipsos and commissioned by our Company
“Jun Ming”	Jun Ming Investments Limited (君名投資有限公司), a company incorporated in the BVI with limited liability on 22 May 2013 and wholly-owned by Mr. Wang
“Korea”	the Republic of Korea
“Latest Practicable Date”	8 December 2013, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date on which dealings in the Shares first commence on GEM, which is expected to be on or around 20 December 2013
“Listing Division”	the Listing Division of the Stock Exchange
“LWK Conservation”	LWK Conservation Limited (formerly known as Full Choice Consultants Limited), a company incorporated in Hong Kong with limited liability on 12 June 2006 and is an indirect wholly-owned subsidiary of our Company
“LWK Guangzhou”	Guangzhou Liang Wong Kou Architectural Design Co., Ltd. (廣州梁黃顧建築設計有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability on 22 November 2012 and is an indirect wholly-owned subsidiary of our Company
“LWK Hong Kong”	LWK & Partners (HK) Limited (梁黃顧建築師(香港)事務所有限公司) (formerly known as Commercial Route Limited), a company incorporated in Hong Kong with limited liability on 19 October 1995 and is an indirect wholly-owned subsidiary of our Company
“LWK Macau”	LWK Design (Macau) Limited (梁黃顧設計(澳門)有限公司), a company incorporated in Macau with limited liability on 9 July 2012 and is an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“LWK Shenzhen”	Liang Wong Kou Design Consultants (Shenzhen) Co., Ltd. (梁黃顧設計顧問(深圳)有限公司) (formerly known as Liang Wong Kou Information Consulting (Shenzhen) Limited (梁黃顧信息諮詢(深圳)有限公司)), a wholly foreign-owned enterprise established in the PRC with limited liability on 20 September 2002 and is an indirect wholly-owned subsidiary of our Company
“LWK Yiheng”	Shenzhen Liang Wong Kou Yiheng Architectural Design Co., Ltd. (深圳梁黃顧藝恒建築設計有限公司) (formerly known as Shenzhen Shatoujiao International Tourism Design Consulting Company (深圳市沙頭角國際旅遊設計顧問公司)), a Sino-foreign joint venture established in the PRC with limited liability on 24 September 1986 and is an indirect non-wholly owned subsidiary of our Company
“M&A Rules”	the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, SAT, SAIC, CSRC and SAFE on 8 August 2006 and amended by MOFCOM on 22 June 2009
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM and which, for the avoidance of doubt, excludes GEM
“Memorandum of Association”	the memorandum of association of our Company adopted on 5 December 2013
“Ministry of Commerce” or “MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHURD”	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), formerly known as Ministry of Construction (建設部)
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Fu”	Mr. Fu Chin Shing (符展成), being our chief executive officer, executive Director and a Substantial Shareholder

DEFINITIONS

“Mr. Liang”	Mr. Liang Ronald (梁鹏程), being our chairman, executive Director and a Controlling Shareholder
“Mr. Wang”	Mr. Wang Jun You (王君友), being our executive Director and a Significant Shareholder
“Ms. Liang”	Ms. Liang Sharon, the spouse of Mr. Liang
“Offer Size Adjustment Option”	the option granted by our Company to the Sole Bookrunner under the Underwriting Agreement to require our Company to issue up to an additional 6,750,000 Shares, representing 15% of the number of the Placing Shares, at the Placing Price, details of which are described in section headed “Structure and Conditions of the Placing” in this prospectus
“Placing”	the conditional placing of the Placing Shares at the Placing Price by the Underwriters on behalf of our Company for cash, as further described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Price”	the final price per Placing Share which will not be more than HK\$0.9 per Share and is expected to be not less than HK\$0.7 per Share (exclusive of brokerage, the Stock Exchange trading fee and SFC transaction levy), such price to be fixed on the Price Determination Date
“Placing Shares”	the 45,000,000 Shares being offered by our Company for subscription under the Placing and such number of shares which may fall to be allotted and issued upon exercise of the Offer Size Adjustment Option
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Legal Advisers”	Jingtian & Gongcheng (競天公誠律師事務所), our legal advisers as to PRC law
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by our Company on 5 December 2013, the principal terms of which are set forth under the paragraph headed “E. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Lead Manager on the Price Determination Date to fix and record the Placing Price
“Price Determination Date”	the date, expected to be on or about 18 December 2013 or such other date as may be agreed between the Sole Lead Manager and our Company, on which the final Placing Price is fixed for the purpose of the Placing
“Rainbow Path”	Rainbow Path International Limited, a company incorporated in the BVI with limited liability on 5 April 2013 and wholly owned by Mr. Liang
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of our Group prior to the issue of this prospectus, details of which are set out in the paragraph headed “A. Further Information about our Company — 4. Corporate Reorganisation” in Appendix IV to this prospectus
“Rich World”	Rich World Services Limited (裕和服務有限公司), a company incorporated in Hong Kong with limited liability on 24 April 1987 and held by Mr. Liang as to approximately 71.43% and Mr. Fu as to approximately 28.57%
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAFE Circular 75”	the Circular on Issues concerning the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) issued in October 2005 by SAFE
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 5 December 2013, the principal terms of which are set forth under the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Share Swap Agreement”	the conditional share transfer agreement dated 5 December 2013 entered into amongst Mr. Liang, Mr. Fu, Mr. Wang, Rich World, Helffrich Ventures and our Company
“Shareholder(s)”	holder(s) of Share(s)
“Significant Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the two years ended 31 December 2012 and the six months ended 30 June 2013
“Underwriters”	the underwriters of the Placing whose names are set out in the section headed “Underwriting — Underwriters” in this prospectus
“Underwriting Agreement”	the underwriting agreement dated 16 December 2013 relating to the Placing and entered into by, among others, our Company, the Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner and the Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“United States” or “US” or “USA”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

DEFINITIONS

“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Veteran Ventures”	Veteran Ventures Limited, a company incorporated in the BVI with limited liability on 2 April 2013 and wholly-owned by Mr. Liang
“Vivid Colour”	Vivid Colour Limited, a company incorporated in the BVI with limited liability on 5 April 2013 and wholly-owned by Mr. Fu

All figures are converted (where relevant) for the purpose of this prospectus from sq. m. to sq. ft. at 1 sq. m. = 10.764 sq. ft..

No representation is made that any amounts in RMB, MOP, HK\$ or US\$ were or could have been converted at the above rates or at any other rates or at all.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of the titles, entities or enterprises established or used as the case may be in the PRC and their English translations, the Chinese names shall prevail. The English names of PRC and overseas entities or titles mentioned in this prospectus may not be their official names in their respective locality and are used for identification only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

“AACSB”	the Architectural and Associated Consultants Selection Board of the Architectural Services Department of the Government
“AR Board”	the Architects Registration Board, established under section 4 of the Architects Registration Ordinance
“Architects Registration Ordinance”	Architects Registration Ordinance (Chapter 408 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“average stage of completion”	divide the total revenue recognised for the year/period by the total contract sum for the projects attributable to the revenue recognised for the year/period
“BEAM Pro”	the Building Environmental Assessment Method Professional accredited by the Hong Kong Green Building Council
“Building (Administration) Regulations”	Building (Administration) Regulations (Chapter 123A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Buildings Department”	Buildings Department of the Government
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“CAGR”	compound annual growth rate
“contract sum”	in relation to our project or the service contract with our client, the total amount of our remuneration as agreed under the service contract with our client
“Employment Ordinance”	Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“GDP”	gross domestic product

GLOSSARY OF TECHNICAL TERMS

“Grade A Qualification”	architectural engineering design qualification of architectural industry — Grade A (建築行業(建築工程)甲級資質), a specialist qualification for design of construction projects in the PRC. Please refer to the sections headed “Regulatory Overview” and “Business” in this prospectus for details
“HK Blue-chip Developers”	a market terminology which generally means the Hong Kong listed companies principally engaged in property development and being categorised as the Hang Seng Index constituent stocks
“HKIA”	the Hong Kong Institute of Architects incorporated under section 3 of the Hong Kong Institute of Architects Incorporation Ordinance
“HKIA Council”	the council of HKIA, established under section 7 of the Hong Kong Institute of Architects Incorporation Ordinance
“HKIA Rules”	the rules of the HKIA, as amended, supplemented or otherwise modified from time to time
“HKILA”	the Hong Kong Institute of Landscape Architects incorporated under section 3 of the Hong Kong Institute of Landscape Architects Incorporation Ordinance
“HKILA Bye-Laws”	the bye-laws of the HKILA, as amended, supplemented or otherwise modified from time to time
“HKILA Council”	the council of HKILA, established under section 7 of the Hong Kong Institute of Landscape Architects Incorporation Ordinance
“HKIP”	the Hong Kong Institute of Planners incorporated under section 3 of the Hong Kong Institute of Planners Incorporation Ordinance
“HKIP Bye-Laws”	the bye-laws of the HKIP, as amended, supplemented or otherwise modified from time to time
“HKIP Council”	the council of HKIP, established under section 7 of the Hong Kong Institute of Planners Incorporation Ordinance
“Hong Kong Institute of Architects Incorporation Ordinance”	Hong Kong Institute of Architects Incorporation Ordinance (Chapter 1147), as amended, supplemented or otherwise modified from time to time

GLOSSARY OF TECHNICAL TERMS

“Hong Kong Institute of Landscape Architects Incorporation Ordinance”	Hong Kong Institute of Landscape Architects Incorporation Ordinance (Chapter 1162), as amended, supplemented or otherwise modified from time to time
“Hong Kong Institute of Planners Incorporation Ordinance”	the Hong Kong Institute of Planners Incorporation Ordinance (Chapter 1153), as amended, supplemented or otherwise modified from time to time
“ISO”	short form of the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, who develop and publish International Standards, such as management system standards
“ISO 9000”	a family of standards set by ISO for quality management system where an organisation needs to demonstrate its ability to provide products that fulfil customers and applicable regulatory requirements and aim to enhance customer satisfaction. ISO 9001 is a member of that family and ISO 9001:2008 provides a set of standardised requirements for a quality management system
“Landscape Architects Registration Ordinance”	Landscape Architects Registration Ordinance (Chapter 516 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“LAR Board”	the Landscape Architects Registration Board, established under section 3 of the Landscape Architects Registration Ordinance
“LEED AP”	the Leadership in Energy and Environmental Design Accredited Professional in the U.S. Green Building Council
“Planners Registration Ordinance”	Planners Registration Ordinance (Chapter 418 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“PR Board”	the Planners Registration Board, established under section 3 of the Planners Registration Ordinance
“sq. ft.”	square foot (feet)
“sq. m.” or “m ² ”	square metre(s)
“%”	per cent

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our Group's business strategies and plans of operation;
- our Group's capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group's business;
- our Group's operations and business prospects;
- our Group's dividend policy;
- the regulatory environment of our Group's industry in general; and
- future development in our Group's industry.

The words "aim", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "potential", "propose", "seek", "will", "would" and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our Group's current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the GEM Listing Rules, our Company does not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, Shareholders should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Placing Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Placing Shares could decline due to any of these risks and you may lose all or part of your investment.

We believe that there are certain risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to Hong Kong; (iv) risks relating to the PRC; (v) risks relating to the Placing; and (vi) risks relating to statements in this prospectus.

RISKS RELATING TO OUR BUSINESS

We rely heavily on our professional staff

Our Group relies heavily on our professional staff, including our Hong Kong registered architects, PRC registered architects, authorised persons, registered town planners and registered landscape architects to render comprehensive architectural service to our clients. Details of our Group's professional staff are set out in the section headed "Business — Major Qualifications" in this prospectus. Members of our professional staff may voluntarily serve notice of termination of their employment with us at any time and our Group may not be able to retain them. We may not be able to find suitable replacement and even if we can find suitable replacement, it may be costly and time-consuming. The loss of service of these professional staff and failure to find suitable replacements could adversely and significantly affect our operations and financial position. For details on our reliance on professional staff and suitability for Listing, please refer to the section headed "Business — Suitability for Listing" in this prospectus.

Our continued success depends on our responsiveness to our client's preference

Comprehensive architectural service is highly dependent on our client's preference and culture which are highly subjective in nature. Design that appeals to some clients may not appeal to others. Our Directors believe that one of the major factors underlying our continued success is our responsiveness to our client's preference.

Since preference, culture and expectations vary from developer to developer, we must be able to anticipate, identify and respond promptly to their preference in order to achieve a continued success in the industry. If we fail to anticipate or respond to our client's preference, fail to introduce commercially viable design or fail to do so in a timely manner, our business and results of operations may be materially and adversely affected.

RISK FACTORS

Our Group determines the tender price based on, among other things, the estimated time and costs involved in a project, which may deviate from the actual time and costs involved

Our projects are generally awarded through competitive tendering. Our tender price of a project is based on, among other things, our estimated time and costs of completing the work. There is no assurance that the actual time spent and the actual costs for a project would fall within our estimation.

The time taken and the costs actually involved in completing our projects may be adversely affected by many factors, including among others:

- the departure of key personnel;
- disputes with our clients or sub-consultants;
- delays in obtaining the necessary licences, permits, certificates or approvals from governmental agencies or authorities;
- changes in government policies;
- changes in market conditions;
- other unforeseen problems and circumstances; and
- any event or series of events in the nature of force majeure.

Any one of the above factors may give rise to an unexpected increase in our time and costs involved due to the delay in our projects or increase in complexity of our projects. If we are unable to reallocate our resources in an efficient manner or enter into a variation order with our clients, this may result in our profitability to be lower than we have expected.

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During the Track Record Period, there were two projects which our Directors consider the actual time or costs involved were materially deviated from estimation. Details of these projects are set out as follows:

Practice Area	Nature of project	Reasons for the time/ cost overrun	Delay in the project timetable
Architecture	Residential development in Hong Kong	Upon completion of ground investigation works, extensive Karst collapse (cavernous marble) and thick layer of cobbles/boulders were identified within the site which was unforeseeable at the commencement of the works. Due to the complex underground geology, additional ground investigation work was required and affected the depth of piling works which caused delay to the construction period.	6 months
Architecture	Residential development in Hong Kong	It was our expectation that the approval of general building plan (GBP) would be obtained within nine months since the project commencement. However, the GBP approval could not proceed further until the clarification of such land matters with the government authorities.	1.5 years

Our Directors have confirmed that the delays in the abovementioned projects (i) do not incur a loss to us; (ii) do not have a material impact on our financial performance or operations of business; and (iii) do not incur any liability or penalty to us.

RISK FACTORS

Negative publicity or damage to our business reputation may have potential adverse impact on our business

As a professional service provider, our Group's ability to secure new projects depends heavily upon our reputation and the reputation of our team as we generally obtain our business by invited tendering. Negative publicity associated with our Group or our team could result in the loss of clients or lead to increasing difficulty to be awarded new projects in the tendering process. In the event that, (i) any client, HKIA or MOHURD is not satisfied with our work; (ii) any delay in completing a project because of the quality of our work or other parties; and (iii) any party raises any complaint regarding our Group which comes to the attention of the public, our existing or potential clients, the business, brand and reputation of our Group may be adversely affected, which will in turn, adversely affect our growth prospects and financial condition.

Our revenue is mainly derived from projects which are not recurring in nature

Most of our projects are undertaken on a case-by-case basis. As such, our revenue derived from such projects is not recurring in nature and we cannot guarantee that our clients will provide us with new business after our current projects completed. Our Group has to go through a competitive tendering process to secure new projects. In the event that we are unable to maintain our reputation, our business relationships with our existing clients or are unable to make our tender price competitive, our business and our revenue will be adversely affected.

We rely on our management team in operating our business

Our success relies, to a significant extent, on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite expertise. Our management team, comprising our executive Directors and our senior management, on average has more than 15 years of experience in the industry and our Directors believe that we possess in-depth knowledge and insightful understanding of the culture and preference of the developers in the market. Further information about our management's experience is set out in the section headed "Directors, Senior Management and Staff" in this prospectus. If any of our executive Directors or our senior management cease to be involved in the management of our Group in the future and our Group is unable to find suitable replacement in a timely manner, there could be an adverse impact to the business, results of operations and profitability of our Group.

Our service fee may not be paid in full due to suspension or failure of our client's projects

Projects of our clients involve complex procedures that last for a long period of time and contain many inherent risks that could prevent the projects from being completed as originally planned. During the Track Record Period, we involved in three projects

RISK FACTORS

which were suspended or failed to complete. Details of these projects are set out as follows:

Practice Area and nature of project	Reasons for the suspension or failure of the project	Total contract sum of the project	Contract sum collected as at the Latest Practicable Date	Remaining contract sum as at the Latest Practicable Date	Full receipt of relevant progress billings receivables	Any write-off or impairment provision for the remaining contract sum
Architecture-commercial development in the PRC	The project was terminated in June 2011 as the development was acquired by another property developer	HK\$17.0 million	HK\$4.8 million	HK\$12.2 million	Yes	No remaining contract sum was recognised as revenue, hence no further write-off or impairment provision will be required
Architecture-commercial development in the PRC	The project was suspended in December 2012 due to land issue by the government	HK\$1.7 million	HK\$0.2 million	HK\$1.5 million	Yes	The amount due from the customer for the contract work of HK\$0.1 million is subject to be written off once the project is formally terminated by client. No provision has been made during the Track Record Period.
Architecture-commercial and mixed use development in the PRC	The project was suspended in December 2011 due to land issue by the government.	HK\$10.9 million	HK\$2.6 million	HK\$8.3 million	Yes	The amount due to the customer for the contract work of HK\$0.9 million is subject to be written back as additional revenue once the project is formally terminated by client. No provision has been made during the Track Record Period.

The aggregate remaining contract sum of the abovementioned projects amounted to approximately HK\$22.0 million, of which an amount of HK\$0.1 million of amount due from customer for contract work will be subject to be written-off if the projects are formally terminated by our clients.

In general, we are not exposed to any liability or penalty due to suspension or failure of our client's projects. However, any suspension or failure to complete our client's projects may have an adverse effect on our liquidity position because our service fee may be not paid in full.

RISK FACTORS

During the Track Record Period and as at the Latest Practicable Date, our Group had not been subject to any liability or penalty due to the suspension or failure of our client's projects.

There is no guarantee that progress payment will be paid to us on time

We usually receive progress payment from our clients according to the achievement of a specific milestone as set out in the service contract. We also conduct invoice review from time to time. Once a specific milestone is completed, we will issue an invoice to our client.

There can be no assurance that progress payment will be paid to us on time by our clients or the level of bad debt arising from such payment practice can be maintained at the same level as in the Track Record Period. Any failure by our clients to make remittance on time may have an adverse effect on our future liquidity position.

We are exposed to the credit risk of and may experience increasing balance of amounts due from customers for contract work and progress billings receivable from contract customers and longer debtors' turnover days in the future

We are subject to the credit risks of our clients and our liquidity is dependent on our clients making prompt payment on billings for work done by us. As at 31 December 2011 and 2012, the amounts due from customers for contract work amounted to HK\$39.6 million and HK\$77.2 million respectively, representing an increase of HK\$37.6 million or 95.0% whereas the respective amounts due from customers for contract work attributable to 28.9% and 36.7% of the total assets respectively. As at 30 June 2013, the amounts due from customers for contract work amounted to HK\$107.4 million, representing an increase of HK\$30.2 million or 39.1% compared with 31 December 2012, which was attributable to 50.8% of the total assets as at 30 June 2013. As at 31 December 2011 and 2012, the progress billings receivable from contract customers amounted to HK\$31.5 million and HK\$72.8 million respectively, representing an increase of HK\$41.3 million or 131.1% whereas the respective amounts of progress billings receivable from contract customers attributable to 23.0% and 34.6% of the total assets respectively. As at 30 June 2013, the progress billings receivable from contract customers amounted to HK\$54.1 million, representing a decrease of HK\$18.7 million or 25.7% compared with 31 December 2012, whereas the respective amounts of progress billings receivable from contract customers attributable to 25.6% of the total assets as at 30 June 2013. In addition, the average debtors' turnover days were 50.3 days and 96.6 days and 88.2 days for each of the two years ended 31 December 2012 and for the six months ended 30 June 2013, respectively. For details of reasons of the fluctuations in progress billings receivable from contract customers and debtors' turnover days, please refer to the paragraph headed "Progress billings receivable from contract customers" under the section headed "Financial Information" in this prospectus.

There is no assurance that we will be able to bill all or any part of the amounts due from customers for contract work according to the billing schedule as stated on our service contract or we will be able to collect all or any part of progress billings receivable from contract customers within the credit terms granted by us to our clients or at all. There is also a possibility that we may take longer than the debtors' turnover days to collect payments. This will therefore, negatively affect our cash flow and financial performance.

RISK FACTORS

We may experience a significant deterioration in financial performance for the year ending 31 December 2013 which is mainly attributable to the Listing expenses

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 for the placing), of which approximately HK\$5.7 million are directly attributable to the issue of the Placing Shares and are expected to be accounted for as a deduction from equity. 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. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2013 would be significantly affected by the estimated Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

We have records of non-compliance with the Companies Ordinance

There have been some instances of non-compliance with the Companies Ordinances, including (i) failure to lay the audited accounts in our Group members' annual general meetings or lay audited accounts made up to a date falling not more than nine months before the date of the meeting under section 122 of the Companies Ordinance; and (ii) filing of the annual return or notice of certain corporate particulars or changes thereof after the time specified in the Companies Ordinance. For details, please see the section headed "Business — Regulatory Compliance — Non-Compliance with the Companies Ordinance" in this prospectus.

If the Hong Kong Companies Registry takes action against our Group members and/or our Controlling Shareholders fail to indemnify us to a sufficient extent or at all, we may be required to pay certain penalties. In these circumstances, if we are required to make significant penalty payments, our reputation, cash flow and results of operations may be adversely affected.

Our Group is subject to potential exposure to professional liabilities

Our Group is principally engaged in the provision of comprehensive architectural service to our clients. In the event that our client who may suffer a loss due to the negligence of our Group in providing such service, it may request for compensation from our Group. Our Directors consider that one of the major business risks associated with our provision of service is the potential of lawsuits arising from professional negligence, misconduct and fraudulent act.

Quality control measures have been adopted by our Group to mitigate risks arising from professional negligence, misconduct and fraudulent act caused by our employees and to ensure that all projects are performed in accordance with the required professional standards and up to the satisfactions of our clients, for the purpose of limiting our exposure to professional liability. Details of our Group's quality control measures are set

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out in the section headed “Business — Quality Control and Risk Management” in this prospectus. In spite of the measures adopted by our Group, there is no assurance that these measures can completely eliminate the professional negligence, misconduct or fraudulent act caused by our employees. If our Group experiences any event of professional negligence, misconduct or fraudulent act, our Group could be exposed to liabilities, such as claims or lawsuits, and the same may have an adverse impact on our Group’s reputation. Our Group is covered by professional indemnity insurance we may experience an adverse impact on our Group’s financial position in the event that the claim from our clients exceeds the coverage or the scope of the insurance does not cover such claim. Details of our Group’s insurance policies are set out in the section headed “Business — Insurance” in this prospectus. Since our establishment and up to the Latest Practicable Date, our Group has not been subject to nor received any claim resulting from our service provided to our clients.

As advised by our legal advisers as to Hong Kong laws and our PRC Legal Advisers, our potential exposure to professional liabilities may affect our Company and relevant subsidiaries only, and given that a company and shareholders of such company are separate legal entities, the listing of our Company will not expose our shareholders and potential investors personally to the risks of professional liabilities. For details on our potential exposure to professional liabilities and suitability for Listing, please refer to the section headed “Business — Suitability for Listing” in this prospectus.

Risks associated with our computer hardware system and data storage

Our work is substantially carried out by computers. Our Group has maintained an information technology support for the computer hardware and data storage. The data centre and the computer server of our Group are currently situated at our premises in Hong Kong and Shenzhen with restricted access to authorised persons. Our Group’s back-up facilities may become malfunctioned in the event of physical breakdown of and damage to our computer hardware and data, which may lead to loss of data.

There is no assurance that our Group has sufficient ability to protect the computer hardware and data storage from all possible damage, including but not limited to, acts of nature, telecommunications breakdown, electricity failure or similar unexpected events. Any damage to our computer hardware and data will cause business interruption to our Group, and thus will directly and adversely affect our operating performance. Any damage to our computer hardware and data may have a material impact on our operating performance and reputation.

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

The network computer system of our Group is vulnerable to the attack of computer virus, worms, trojan horses, hackers or other similar computer network disruptive problems. Any failure in safeguarding our computer network system from these disruptive problems will cause the breakdown of our computer network system and leakage of confidential information, including the designs of our Group, particulars of tenders to be placed by our Group and information of our projects and our clients. There is no assurance that our computer network system is absolutely secured. Any failure in the

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protection of our computer network system from external threats may cause disruption of our operations and may damage our reputation for any breach of confidentiality to our clients and in turn, may indirectly adversely affect the business operations and performance of our Group. During the Track Record Period and up to the Latest Practicable Date, we did not experience any breakdown in our computer network system or breach of confidentiality.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our Group's business is subject to a number of licences, permits and qualifications

Our Group and our staff must hold the relevant licences and permits to operate our business. Such licences and permits include qualifications of being a registered architect and the Grade A Qualification. Non-compliance with the relevant regulatory requirements may result in refusal by relevant authorities to renew the relevant licences and permits which would interrupt our business and have a material adverse effect on our operations or financial condition.

On 2 April 2011, LWK Yiheng became a sino-foreign joint venture, details of which are set out in the section headed "History, Reorganisation and Group Structure — Our Subsidiaries — LWK Yiheng (PRC)" in this prospectus. Pursuant to Notice (No. Jian Shi 229 [2007]) issued by the Ministry of Construction in relation to the approval of qualification due to change of business type, reorganisation or separation of a construction engineering enterprise (建設部關於建設工程企業發生改制、重組、分立等情況資質核定有關問題通知(建市[2007]229號)), LWK Yiheng had to apply and obtain re-approval of the Grade A Qualification from MOHURD when LWK Yiheng changed its business type to a sino-foreign joint venture.

LWK Yiheng filed the first re-approval application of the Grade A Qualification after changing its business type in April 2011. Our Company was not aware that MOHURD did not process the first re-approval application successfully due to insufficient documents, of which was published in August 2012. While we appointed our PRC Legal Advisers in relation to the laws of the PRC for the Listing purposes, our PRC Legal Advisers identified the abovementioned in March 2013. LWK Yiheng then furnished supplemental documents for the re-approval of the Grade A Qualification promptly and the re-approval application was accepted on 29 May 2013 by MOHURD. Pursuant to Jian Ban notice of acceptance no. 31 [2013] issued by the general office of MOHURD on 2 August 2013 in relation to the opinion about the examination of the qualification of construction engineering enterprise (住房和城鄉建設部辦公廳8月2日公佈的《關於建設工程企業資質審查意見的公示》(建辦受理函[2013]31號)), (i) LWK Yiheng obtained the re-approval of the Grade A Qualification; and (ii) granted by MOHURD, the re-approved Grade A Qualification would become effective after the expiry of the publicity period from 5 August 2013 to 16 August 2013. 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.

For more information, please refer to the section headed "Business — Licenses and Permits — Grade A Qualification of LWK Yiheng" in this prospectus. For details on our major qualifications and suitability for Listing, please refer to the section headed "Business — Suitability for Listing" in this prospectus.

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We face intense competition

As at the Latest Practicable Date, there were 174 architectural service companies duly registered in the HKIA. The market is highly competitive with the presence of both local and international service providers. As such, we have to compete with other service providers in terms of price and delivery on an international level. The architectural service market in the PRC is highly fragmented with different types of service providers offering comparable service types, including architecture, landscape architecture, town planning, interior design and heritage conservation. According to the Ipsos Report, it was estimated that there were 11,144 architectural service providers in the PRC in 2011, among which 1,562 held the Grade A Qualification. The rapid expansion of architectural service providers will intensify competition in the market which may induce price competition. If we fail to compete effectively, our business operations and financial condition will suffer.

The PRC architectural service industry is heavily regulated by different laws, regulations and policies

The architectural service industry is highly regulated in the PRC. Various regulatory authorities of the central PRC government, such as the State Council, MOHURD and MOFCOM, are empowered to issue and implement regulations governing various aspects of the architectural service industry. In addition, the architectural service business is also governed by policies in the PRC. The policies relating to the architectural service industry, especially the policies relating to the foreign-invested architectural service enterprises, may have a material effect on our business.

To engage in architectural service activities, such as the architectural design service activities, in the PRC, an enterprise shall obtain certain design qualifications from competent authorities and fulfil requirements relating to the registered capital, professional technicians, etc. Moreover, the professional technicians engaged in construction activities shall obtain relevant qualification certificates and engage in construction activities within the scope of their qualification certificates. If our Group fails to meet such requirements, our business operations may be materially and adversely affected.

RISKS RELATING TO HONG KONG

Our business and results of operations are affected by the demand for our service from property developers in Hong Kong, which in turn is subject to the performance of the property market in Hong Kong

Our performance and financial condition are significantly dependent on the demand from property developers in Hong Kong as our revenue attributable to our projects located in Hong Kong accounted for 19.7%, 26.0% and 29.0% of our Group's total revenue for each of the two years ended 31 December 2012 and the six months ended 30 June 2013, respectively. Any downturn in the Hong Kong property market may therefore, decrease the demand for our service, which in turn will adversely affect our performance. We cannot assure you that the demand for properties in Hong Kong will continue to grow, or will grow at all. Our financial position and results of operations may be influenced by

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fluctuations of supply and demand in the property market, which may, in turn, be influenced by the general state of the economy and other factors, including government policies. In recent years, the Government and other regulatory bodies in Hong Kong have introduced certain anti-speculation measures on the property market in Hong Kong. There is no assurance that the Government would not announce further measures which may adversely affect the performance of the property market in Hong Kong, which will in turn, bring significant impact on our business and results of operations.

Apart from the Government measures, there are numerous factors affecting the property market in Hong Kong and the performance of the property developers, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of land supply. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or should the demand for property in Hong Kong deteriorate, there may be adverse impacts on the business prospect or performance of the property developers or property market as a whole in Hong Kong, resulting in decreasing in demand for our service. As such our business and results of operations could be adversely affected.

RISKS RELATING TO THE PRC

Our business in the PRC depends on the growth of the PRC property market

Our business in the PRC depends on the growth of the PRC property market. Adverse impact on the PRC property market or our developers in the PRC could have a negative effect on us. For instance, a significant adverse impact on the PRC property market could reduce the demand for commercial and residential properties, changes in market conditions, including price instability and an imbalance of supply and demand in respect of commercial and residential properties, which may materially affect our business and results of operations in the PRC.

We are susceptible to the demand for our services from property developers in the PRC, which in turn is subject to the performance of the PRC property market

For each of the two years ended 31 December 2012 and the six months ended 30 June 2013, we generated revenue of 79.7%, 73.6% and 68.5% from our PRC projects, respectively. As such, we are susceptible to the demand for our services from property developers in the PRC and any adverse changes in their business and financial performances may have adverse impacts on our business and results of operations.

The PRC property market is sensitive to policy changes. The PRC government from time to time exerts considerable direct and indirect influence on the development of the PRC property market to prevent and curtail the overheating of the economy by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange property financing, taxation and foreign investment. These policies and measures may have adverse impacts on the performance of the PRC property market as well as that of the property developers, including but not limited to, limiting their abilities to obtain financing, acquire land for future developments, sell properties at a profit or generate sufficient operating cash flows

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from contracted sales. As a result, our business and results of operations may be materially and adversely affected due to any changes in business prospect or performance of the property developers or property market as a whole in the PRC.

Our business operations may be affected by regulatory changes

The establishment and many aspects of the business operations of our PRC subsidiaries are governed by various local, provincial and national regulatory regimes. The PRC legal framework, qualification requirements and enforcement trends in the architectural design industry may change, and we may not be able to respond to such changes in a timely manner. Such changes may cause the compliance costs to increase, which may materially and adversely affect our business, financial condition and results of operations. For example, if any change to the requirements for architectural design qualification occurs and we fail to meet the new requirements in a timely manner or at all, our business operations will be materially and adversely affected.

The PRC legal system embodies uncertainties that could limit the legal protections available to you and us

Unlike the common law system, the PRC legal system is based on written statutes, directives and policies. Decided legal cases have little precedential value. The PRC government since 1979 has commenced to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protection afforded to various forms of foreign investment in the PRC. Nevertheless, there is an underlying uncertainty in the legal protection under the PRC legal system, because the relevant PRC laws, regulations and legal requirements may change from time to time, and their interpretation and enforcement may vary. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have wide discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to estimate the outcome of administrative and court proceedings and the level of legal protection we could enjoy compared to the same under those more developed legal systems. Such uncertainties, including the uncertainty to enforce our contracts and intellectual property rights, could materially and adversely affect our business operations.

Accordingly, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protection available to us and other foreign investors, including our Shareholders and prospective investors.

We may be classified as a “resident enterprise” of the PRC under the EIT Law which could result in unfavorable tax consequences to us and our Shareholders that are “non-resident enterprises”

Under the EIT Law and its implementing rules, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident

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enterprise”, and will be subject to enterprise income tax at the rate of 25% on its worldwide income. The implementing rules of the EIT Law define de facto management bodies as “establishments that carry out substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. The EIT Law and its implementing rules are relatively ambiguous in terms of some definitions, requirements and detailed procedures. Currently, official interpretation or application of this “resident enterprise” classification is only available with respect to an offshore company whose major holding investors are enterprises or enterprises groups in the PRC. It is therefore, unclear how tax authorities will determine tax residency based on the facts of each case.

If the PRC tax authorities determine that we are a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as PRC enterprise income tax reporting obligations. Second, under the EIT Law and its implementing rules, dividends paid to us from our PRC subsidiaries through our Hong Kong intermediate holding company may qualify as “tax-exempt income”, we cannot guarantee that such dividends will not be subject to withholding tax. Finally, the “resident enterprise” classification may result in a situation in which a 10% withholding tax is imposed on dividends we pay to our Shareholders that are “non-resident enterprises” and with respect to gains derived by such Shareholders from transferring our Shares, if such income is considered as PRC-sourced income by the relevant PRC authorities.

If any such PRC taxes apply, our Shareholders that are “non-resident enterprises” may be entitled to a reduced rate of PRC taxes under an applicable income tax treaty or a foreign tax credit against such Shareholder’s domestic income tax liability (subject to applicable conditions and limitations). You should consult your own tax advisers regarding the applicability of any taxes, the effects of any applicable income tax treaties, and any available foreign tax credits.

We face uncertainty from the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises’ Share Transfers (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“SAT Circular No. 698”)

Pursuant to SAT Circular No. 698, which was issued by SAT and became effective as at 1 January 2008, except for the purchase and sale of equity through a public securities market, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company (an “Indirect Transfer”), and the overseas holding company is located in a tax jurisdiction that has an effective tax rate of less than 12.5% or does not tax foreign income of its residents, the non-resident enterprise, being the transferor, must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a “substance over form” approach, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC tax at a rate of up to 10%. SAT Circular No. 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a

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PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There are uncertainties as to the application of SAT Circular No. 698. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction to request information from a wide range of foreign entities having no direct contact with the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdiction and the progress and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there is no formal declaration regarding the way to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer the PRC tax. SAT Circular No. 698 empowers the tax authorities with wide discretion to determine what amounts to lack of reasonable commercial purpose. As a result, we may become at risk of being taxed under SAT Circular No. 698 and may be required to put in resources to comply with SAT Circular No. 698 or to establish that we should not be taxed under SAT Circular No. 698 for our historical offshore share transfers and any potential restructuring in the future, which may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

The M&A Rules establish procedures for some acquisitions of PRC companies by foreign entities, which could make it more difficult for us to expand through acquisitions in the PRC

On 8 August 2006, six PRC regulatory agencies, including CSRC, promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, which became effective on 8 September 2006 and was amended by MOFCOM on 22 June 2009. The M&A Rules, among other things, provide for additional procedures and requirements that could make some acquisitions of PRC companies by foreign entities more time-consuming and complicated. If the relevant PRC government authorities decide that such activities are subject to the M&A Rules, we will be required to obtain approval for such transactions from MOFCOM, or its local counterpart. In the future, we may expand our business by acquiring complementary businesses. Complying with the requirements of the M&A Rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Any failure by our Shareholders or beneficial owners who are PRC citizens or residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, our overseas and cross-border investment activities, or result in liability under PRC laws

SAFE Circular 75 states that PRC citizens or residents must register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas equity financing involving a roundtrip investment whereby the offshore entity acquires or controls onshore assets or equity interests held by

RISK FACTORS

the PRC citizens or residents. In addition, such PRC citizens or residents must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, long-term equity or debt investments, external guarantees, or other material events that do not involve roundtrip investments.

If any PRC shareholder of the offshore special purpose vehicle fails to make or update the required registration, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the offshore special purpose vehicle, and similarly, the offshore special purpose vehicle may also be prohibited from contributing additional capital into its PRC subsidiaries. Furthermore, failure to comply with the foregoing requirements could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions.

We are committed to, and to procure our Shareholders who are PRC citizens or residents to, comply with the SAFE Circular 75 requirements. However, we may not at all times be fully aware or informed of the identities of all our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with the SAFE Circular 75 requirements. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC citizens or residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, SAFE Circular 75 or other related regulations. Failure by any such Shareholders or beneficial owners to comply with SAFE Circular 75 could expose us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and results of operations.

Restrictions on currency exchange may limit our ability to utilise our revenue effectively and the ability of our PRC subsidiaries to obtain financing

During the Track Record Period, part of our revenue and our operating expense are denominated in Renminbi. Restrictions on currency exchange imposed by the PRC government may limit our ability to utilize the revenue generated in Renminbi to fund our business activities outside the PRC, if any, or expenditures denominated in foreign currencies. Under the current PRC regulations, Renminbi may be freely converted into foreign currency for payments relating to "current account transactions", which include, among other things, dividend payments and payments for the import of goods and services, by complying with certain procedural requirements. Our PRC subsidiaries may also retain foreign exchange in their respective current account bank accounts, subject to a cap set by SAFE or its local counterpart, for use in payment of international current account transactions. However, conversion of Renminbi into foreign currencies, and of foreign currencies into Renminbi, for payments relating to "capital account transactions", which principally includes investments and loans, generally requires the approval of SAFE and other relevant government authorities. Restrictions on the convertibility of the Renminbi for capital account transactions could affect the ability of our PRC subsidiaries to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

RISK FACTORS

RISKS RELATING TO THE PLACING

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile

Prior to the Placing, there was no public market for our Shares. The indicative range of the Placing Price was determined as a result of negotiations between the Sole Lead Manager and our Company. The Placing Price may differ significantly from the market price of our Shares following the Placing. We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Placing or that our Shares will always be listed and traded on GEM. We cannot assure you that an active trading market will develop or be maintained following the completion of the Placing, or that the market price of our Shares will not decline below the Placing Price.

The price and trading volume of our Shares may be highly volatile. Factors, such as variations in our revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

In addition, shares of other comparable companies listed on GEM have experienced substantial price volatility in the past, and it is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

Investors for our Placing Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

Based on the Placing Price range, the Placing Price is expected to be higher than the net tangible asset value per Share immediately prior to the Placing. Therefore, the purchasers of the Placing Shares will experience an immediate dilution in unaudited pro forma adjusted combined net tangible asset value to HK\$0.43 per Share and HK\$0.48 per Share based on the Placing Price of HK\$0.7 per Placing Share and HK\$0.9 per Placing Share respectively.

We may issue additional Share upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or upon exercise of the Offer Size Adjustment Option. In addition, we may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to our existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our Placing Shares.

RISK FACTORS

Future sales by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

We cannot assure you that our existing Shareholders, including but not limited to our Controlling Shareholders, will not dispose of their Shares following the expiration of their respective lock-up periods after completion of the Placing. We cannot predict the effect, if any, that any future sales of Shares by any of our substantial Shareholders or Controlling Shareholders, or the availability of Shares for sale by any of our substantial Shareholders or Controlling Shareholders may have on the market price of our Shares. Sales of substantial amounts of our Shares by any of our substantial Shareholders or Controlling Shareholders or market perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares.

The interest of our Controlling Shareholders may not always coincide with the interest of our Group and those of our other Shareholders

Upon completion of the Placing (but not taking into account the allotment and issue of Shares upon exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own, in aggregate, 46.15% of our Shares. Our Controlling Shareholders will therefore, have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders may be adversely affected as a result.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Certain facts and other statistics in this prospectus are derived from various official government sources and may not be reliable

Facts, forecasts and statistics in this prospectus including those relating to the PRC, the PRC economy and the architectural service industry have been derived from various official government sources. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information are false or misleading or that any fact has been omitted that would render such information false or misleading. The information reproduced and extracted from various government sources have not been independently verified by us, the Sole Sponsor and Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other party involved in the Placing and no representation is given as to their accuracy.

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES AND EXEMPTION FROM THE COMPANIES ORDINANCE

PRE-IPO SHARE OPTIONS

Under Rule 23.02(1)(b) of the GEM Listing Rules, paragraph 27 of Appendix 1A to the GEM Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, this prospectus is required to include details of the number, description and amount of any of our Shares which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely, the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholdings upon the Listing as well as the impact on the earnings per share arising from the exercise of such outstanding options. We have granted options under the Pre-IPO Share Option Scheme to 138 grantees (“**Grantees**” and each a “**Grantee**”) to subscribe for an aggregate of 12,525,000 Shares on the terms set out in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to this prospectus, including (i) six Grantees who are Directors; (ii) seven Grantees who are members of the senior management of our Company; and (iii) 125 Grantees who are other employees of our Group (“**Other Grantees**”). Save as disclosed, no options were granted to any connected persons other than the six Directors. Save as disclosed in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to this prospectus, no Grantees under the Pre-IPO Share Option Scheme is a Director or senior management or connected person of our Group under the Pre-IPO Share Option Scheme.

We have applied for: (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 23.02(1)(b) of and paragraph 27 of Appendix 1A to the GEM Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, on the ground that full compliance with these requirements in respect of those Grantees of the Pre-IPO Share Option Scheme who are employees of our Group would be unduly burdensome. In light of the requirements under the relevant regulations indicated above, we have made the following submission to the Stock Exchange and the SFC:

1. The options under the Pre-IPO Share Option Scheme were granted to a total of six Directors, seven members of the senior management and 125 Other Grantees. We consider that it would be unduly burdensome to disclose full details of all the options granted by us under the Pre-IPO Share Option Scheme in the prospectus, which would involve approximately 20 additional pages of content to be inserted into the prospectus and approximately 2 days of translation time, significantly increasing the cost and timing for information compilation, prospectus preparation and printing;

**WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING
RULES AND EXEMPTION FROM THE COMPANIES ORDINANCE**

2. All the details and particulars of options granted to all the Directors, members of senior management, connected person and Other Grantees who have been granted options to subscribe for 100,000 Shares or more under the Pre-IPO Share Option Scheme have been disclosed under the paragraph headed "Pre-IPO Share Option Scheme" in Appendix IV which is sufficient to provide potential investors with information to make an informed assessment of the potential dilution effect and impact on earnings per share of the options granted under the Pre-IPO Share Option scheme in their investment decision making process; and
3. The lack of full disclosure requirements set out above will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Company and will not prejudice the interest of the investing public.

The Stock Exchange has granted the waiver on the conditions that:

- (a) the grant of a certificate of exemption from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of Third Schedule to Companies Ordinance by the SFC;
- (b) on an individual basis, full details of all options granted under the Pre-IPO Share Option Scheme to each of the grantees who is a Director, member of the senior management, a connected person of our Group, and Other Grantee who has been granted options to subscribe for 100,000 Shares or more and such details shall include all information and particulars required under Rule 23.02(1)(b) of and paragraph 27 of Appendix IA to the GEM Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, be disclosed in this prospectus;
- (c) in respect of the options granted by our Company under the Pre-IPO Share Option Scheme to Other Grantees, other than those referred to in sub-paragraph (b) above, (i) the aggregate number of Other Grantees; (ii) the aggregate number of Shares subject to the options granted to Other Grantees; (iii) the consideration paid for the acceptance of the options granted to Other Grantees; and (iv) the exercise period; and (v) the exercise price, be fully disclosed in this prospectus;
- (d) the dilution effect and impact on the earning per Share upon full exercise of the option granted under the Pre-IPO Share Option Scheme on the shareholding, be disclosed in this prospectus;
- (e) the aggregate number of Shares subject to the options granted by our Company under the Pre-IPO Share Option Scheme and the percentage of our Company's issued share capital of which such number represents, be disclosed in this prospectus;

**WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING
RULES AND EXEMPTION FROM THE COMPANIES ORDINANCE**

- (f) a summary of the Pre-IPO Share Option Scheme be disclosed in this prospectus; and
- (g) a list of all Grantees (including those referred to in sub-paragraph (c)) containing all the details required under Rule 23.02(1)(b) and paragraph 27 of Appendix 1A to the GEM Listing Rules and paragraph 10 of Part I to the Third Schedule to the Companies Ordinance will be available for public inspection in accordance with the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this prospectus.

The SFC has issued a certificate of exemption under section 342A of the Companies Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance on the following conditions:

- (a) on an individual basis, full details of all options granted to each of the Director, senior management, connected person for our Group, and Other Grantee who has been granted options to subscribe for 100,000 Shares or more, and such details shall include all information and particulars required under paragraph 10 of the Part I of the Third Schedule to the Companies Ordinance, be disclosed in this prospectus;
- (b) in respect of the options granted by our Company under the Pre-IPO Share Option Scheme to Other Grantees, other than those referred to in sub-paragraph (a) above, (i) the aggregate number of Other Grantees; (ii) the aggregate number of Shares subject to the options granted to Other Grantees; (iii) the consideration paid for the acceptance of the options granted to Other Grantees; (iv) the exercise period; and (v) the exercise price, be disclosed in this prospectus;
- (c) a list of all Grantees (including those referred to in sub-paragraph (b) above) of the options granted by our Company under the Pre-IPO Share Option Scheme containing all the details required under paragraph 10 of Part I to the Third Schedule to the Companies Ordinance will be available for public inspection in accordance with the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this prospectus; and
- (d) the particulars of the exemption, be disclosed in this prospectus.

Further details of the Pre-IPO Share Option Scheme are set out in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Law of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

1. the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; and
2. there are no other matters the omission of which would make any statement herein or in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Placing which is solely sponsored and managed by the Sole Sponsor. The Placing Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreement, subject to the terms and conditions of the Underwriting Agreement and that the Placing Price will be fixed by agreement between our Company and the Sole Lead Manager on the Price Determination Date. Further details about the Underwriters and the Underwriting Agreement are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE PLACING PRICE

The Placing Shares are being offered at the Placing Price which will be determined in Hong Kong dollar by our Company and the Sole Lead Manager on the Price Determination Date. For full information relating to the determination of the Placing Price, please refer to the section headed "Structure and Conditions of the Placing" in this prospectus.

PLACING SHARES TO BE OFFERED IN HONG KONG ONLY

Each person acquiring the Placing Shares will be required to confirm, or be deemed by his acquisition of Placing Shares to confirm, that he is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

As at the Latest Practicable Date, no action had been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the distribution of this prospectus. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such institutions pursuant to registration with or authorisation by relevant regulatory authorities as an exemption therefrom.

The Placing Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner, the Underwriters, any of their respective directors or any other persons or parties involved in the Placing.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and upon exercise of the Offer Size Adjustment Option and options granted under the Pre-IPO Share Option Scheme or of any options which may be granted under the Share Option Scheme.

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or, is proposed to being sought in the near future.

Under section 44B(1) of the Companies Ordinance, if permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public. There will be not less than 25% of our Company’s enlarged issued share capital will be in the hands of the public immediately following the completion of the Placing and upon the Listing (assuming the Offer Size Adjustment Option or options granted under the Pre-IPO Share Option Scheme or the options that may be granted under the Share Option Scheme are not exercised).

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding of, purchasing of, disposal of or dealing in, the Shares or the exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner and the Underwriters, their respective directors, agents or advisers or any other persons involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, holding of, purchasing of, disposal of or dealing in, our Shares or the exercising their rights thereunder.

REGISTRATION AND STAMP DUTY

All our Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong in order to enable them to be traded on GEM. Only our Shares registered on the branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees. Dealings in our Shares registered on the branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stock broker or other professional adviser.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure of the Placing, including its conditions, including the Offer Size Adjustment Option, are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on 20 December 2013. Shares will be traded in board lots of 4,000 Shares each.

Our Company will not issue any temporary documents of title.

LANGUAGE

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC, PRC nationals, PRC government entities or PRC laws and regulations and their English translations, the Chinese names shall prevail. English translations of names of entities or enterprises established in the PRC and PRC laws and regulations are for identification purpose only.

ROUNDING

Any discrepancies in the tables set out in this prospectus between the totals and sums of individual amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING
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DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Liang Ronald (梁鵬程)	Unit B, 15/F., Tower 2, Tregunter Mid-Levels, Hong Kong	Australian
Fu Chin Shing (符展成)	Flat C, 43/F., Block 9 Island Harbour View Tai Kok Tsui, Kowloon Hong Kong	Chinese
Wang Jun You (王君友)	Flat F, 2/F., Block H Sanxiang Haishang Garden Nanshan District Shenzhen, Guangdong, PRC	Chinese
Lo Kin Nang (盧建能)	Flat B, 1/F., Block 27 Greenwood Terrace 26–28 Sui Wo Road Shatin, New Territories Hong Kong	Chinese
Ng Kwok Fai (吳國輝)	Flat A, 31/F., Tower 2, Lake Silver 599 Sai Sha Road Ma On Shan, New Territories Hong Kong	Chinese
He Xiao (何曉)	3A, Block 36, Cui Di Wan Xin Zhou Road, Futian District Shenzhen, Guangdong, PRC	Chinese
Independent non-executive Directors		
Lo Wai Hung (盧偉雄)	42A, Block 5, Royal Ascot, Fo Tan New Territories, Hong Kong	Chinese
Wang Julius (王哲身)	Flat A4, 25/F., Block A Dragon Court, 6 Dragon Terrace North Point, Hong Kong	Chinese
Yu Chi Hang (余熾鏗) (alias, Yue Chi Hang)	Flat B, 18/F., Galaxy Court Block A Pictorial Garden Phase II 23 On King Street Shatin, New Territories Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE PLACING
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PARTIES INVOLVED

Sole Sponsor	China Everbright Capital Limited 17th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Sole Bookrunner and Sole Lead Manager	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law:</i> D. S. Cheung & Co. 29th Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong <i>As to PRC law:</i> Jingtian & Gongcheng (競天公誠律師事務所) 34/F, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District Beijing <i>As to Macau law:</i> Paulino Comandante- Advogado & Notário Privado Avenida da Praia Grande Nos 730-804 Edificio China Plaza 8 andar D Macau <i>As to Cayman Islands law:</i> Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE PLACING
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**Legal advisers to the Sole
Sponsor and the
Underwriters**

As to Hong Kong law:
Mayer Brown JSM
16th –19th Floors, Prince’s Building
10 Chater Road, Central
Hong Kong

**Auditors and reporting
accountants**

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Admiralty
Hong Kong

Compliance adviser

China Everbright Capital Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in Hong Kong	15th Floor, North Tower World Finance Centre Harbour City Tsim Sha Tsui Kowloon, Hong Kong
Company's website address	<u>www.cchengholdings.com</u> <i>(information on the website does not form part of this prospectus)</i>
Company secretary	Ms. Yu Wing Sze <i>HKICPA, ACCA</i>
Authorised representatives	Mr. Fu Chin Shing Flat C, 43/F., Block 9 Island Harbour View Tai Kok Tsui, Kowloon Hong Kong Ms. Yu Wing Sze Flat B, 53/F., Tower 7 Bellagio, 33 Castle Peak Road Sham Tseng Hong Kong
Audit Committee	Mr. Lo Wai Hung (<i>Chairman</i>) Mr. Wang Julius Mr. Yu Chi Hang
Remuneration Committee	Mr. Yu Chi Hang (<i>Chairman</i>) Mr. Fu Chin Shing Mr. Lo Wai Hung
Nomination Committee	Mr. Liang Ronald (<i>Chairman</i>) Mr. Wang Julius Mr. Yu Chi Hang

CORPORATE INFORMATION

Principal bankers

CITIC Bank International Limited
232 Des Voeux Road Central
Hong Kong

China Merchants Bank
Central Business Branch
1/F, Central Business Building
No. 88 Fuhua 1 Road
Shenzhen, P.R.C.

**The principal share registrar
and transfer office**

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

**Hong Kong branch share
registrar and transfer office**

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

INDUSTRY OVERVIEW

The information in the section below has been partly derived from various publicly available government sources, market data providers and other independent third party sources. In addition, this section and elsewhere in the prospectus contains information extracted from a commissioned report, or the Ipsos Report, prepared by Ipsos for the inclusion in this prospectus. See paragraph headed "Source of Information" below in this section. We believe that the sources of information of this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any party involved in the Placing, other than Ipsos with respect to the information contained in the Ipsos Report.

SOURCE OF INFORMATION

We commissioned Ipsos, an independent market research company, to conduct an analysis of, and to report on architectural service industry in Hong Kong and the PRC for a fee of HK\$358,000. We considered that the payment of the commission fees does not affect the fairness of conclusions drawn in the Ipsos Report. The information and statistics set forth in this section have been extracted from the report issued by Ipsos, or the Ipsos Report. Ipsos is an independent market research company and consulting company. It is part of Ipsos SA which was founded in Paris, France in 1975 and was listed on the Paris stock exchange (NYSE Euronext Paris) since 1999. In October 2011, Ipsos SA acquired Synovate Limited and has become the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desk research; (ii) client consultation; and (iii) primary research by interviewing key stakeholders and industry experts, including architectural service providers, property developers and associations and experts, etc., in Hong Kong.

In the Ipsos Report, it is assumed that there is no external shock, such as the outbreak of diseases or natural disasters to affect the demand and supply of architectural service in Hong Kong and the PRC over the forecast period.

The following parameters are considered when analyzing the market size and forecast model of the Ipsos Report:

- urbanisation rate in the PRC from 2008 to 2012;
- inflation rate in Hong Kong and the PRC from 2008 to 2012;
- the number of construction projects in Hong Kong in 2012;

INDUSTRY OVERVIEW

- total investment of enterprises for real estate development from 2008 to 2012;
- total output value of construction in Hong Kong and the PRC from 2008 to 2012;
- total gross floor area of new building construction in Hong Kong and the PRC from 2008 to 2012;
- number of registered architectural service providers in Hong Kong and the PRC from 2008 to 2012;
- average design fee of architectural services in 2012;
- current government policies concerning the real estate market in Hong Kong and the PRC; and
- future government construction plan in Hong Kong and the PRC in the next five years, including but not limited to the 10 major infrastructure projects in Hong Kong.

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

We are of the view that sources of information used in this section are reliable as the information was extracted from the Ipsos Report. We believe the Ipsos Report is reliable and not misleading as Ipsos is an independent reputable professional research agency with extensive experience in their profession.

FUTURE FORECAST IN THE IPSOS REPORT

Some of the analytical conclusions extracted from the Ipsos Report cover future forecasts. The Sole Sponsor and we consider such information to be reliable, accurate and not misleading after taking into account the following factors:

- (a) Ipsos is an independent reputable research agency with extensive experience in their profession;
- (b) the reports prepared by Ipsos is commonly used in the architectural service industry; and
- (c) although the Ipsos Report constitutes forecast of the development of the architectural service industry in Hong Kong and the PRC, they do not contain performance forecast of our Company in the future.

Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

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ARCHITECTURAL SERVICE INDUSTRY

Architectural service generally refers to the practice of the architect, the offering of professional services in connection with the design and construction of buildings, at the same time account for any technical, environmental, social and aesthetic considerations. Besides architecture, architectural service providers may also provide the following service: landscape architecture, town planning, interior design and/or heritage conservation.

The following table sets forth the description and main application of the service involved in the architectural service industry:

Type of service	Description of the service	Main application of the service
Architecture	— Overall design: e.g. design of architectural appearance, functionality, internal layout, etc.	— Industrial buildings — Civil buildings
	— Structural design: e.g. design of beams, columns, and floors of the building	— Special-type buildings (e.g. for military use)
	— Facility design: e.g. design of water supply and drainage, electric and lightning, etc.	
Landscape architecture	— Mainly refer to garden design, park and recreation planning, planning of outdoor public spaces and landmarks, etc.	— Scenic spots — Urban green space
Town planning	— Land planning and utilisation, forestation plan, infrastructure layout design, etc.	— Urban public area
Interior design	— Transformation of interior area to fit for a range of activities	— Public building inner space — Household space
	— Mainly refer to internal decoration and physical design, etc.	

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Type of service	Description of the service	Main application of the service
Heritage conservation	— Mainly refer to development and protection of historical architectural complex, ancient sites, etc.	<ul style="list-style-type: none"> — Heritage buildings — Ancient sites — Ancient tombs
Others	— Other related service	<ul style="list-style-type: none"> — Architectural acoustics design — Sustainable design

ARCHITECTURAL SERVICE INDUSTRY IN HONG KONG

Architectural services in Hong Kong

Qualifications

In general, there are four categories of statutory qualification involved in the Hong Kong architectural service industry: (a) authorised person; (b) registered architect; (c) registered landscape architect; and (d) registered professional planner. For details about the standard of qualifications, please refer to the section headed “Regulatory Overview” in this prospectus.

The following table sets forth the category of qualification and the number of persons in Hong Kong holding the qualification as at 31 December 2012:

Category of qualification	Number of persons in Hong Kong holding the qualification as at 31 December 2012
Authorised person (List of architects) (“AP”)	1,156
Registered architects (Hong Kong) (“RA”)	2,920
Registered landscape architects (“RLA”)	36
Registered professional planner (“RPP”)	235

INDUSTRY OVERVIEW

Classification of architectural service providers in Hong Kong

There is no specific ranking system in the architectural service industry. In Hong Kong, architectural service providers are classified into two bands by the AACSB plus one extra band compiled, maintained and provided separately by the Association of Architectural Practices in Hong Kong and the HKIA.

The following chart set forth a summary of the minimum entry criteria of, eligibility and the number of architectural service providers holding the relevant qualification in 2012:

Criteria	Band 1 List of Consultants of AACSB	Band 2 List of Consultants of AACSB	Extra band compiled, maintained and provided separately by the Association of Architectural Practices in Hong Kong and the HKIA
	<ul style="list-style-type: none"> • minimum of 10 qualified architects ^(Note 1) at least 3 of whom must be Authorised Persons • have practiced in the relevant profession in Hong Kong for a minimum of 5 continuous years • with local Hong Kong office of reasonable size, suitably furnished and adequately equipped with appropriate modern drafting and computing facilities • employing a reasonable number of technical and clerical supporting staff locally 	<ul style="list-style-type: none"> • minimum of 2 qualified architects ^(Note 1) who must also be Authorised Persons • have practiced in the relevant profession in Hong Kong for a minimum of 2 continuous years • with local Hong Kong office of reasonable size, suitably furnished and adequately equipped with appropriate modern drafting and computing facilities • employing a reasonable number of technical and clerical supporting staff locally 	<ul style="list-style-type: none"> • all the current members of the Association of Architectural Practices Limited and registered practices of the HKIA that have expressed interest to join this band. However, firms that are currently included in either Band 1 or 2 List of Consultants of AACSB are not eligible for inclusion in this band • at least one of the full time resident staff of the firm is a qualified architect ^(Note 1) who must also be an Authorised Person • at least one of the full time resident principal/director of the firm is a qualified architect ^(Note 1) who must also be an Authorised Person

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	Band 1 List of Consultants of AACSB	Band 2 List of Consultants of AACSB	Extra band compiled, maintained and provided separately by the Association of Architectural Practices in Hong Kong and the HKIA
	<ul style="list-style-type: none"> • have obtained the ISO 9001:2008 certification as detailed in the current Development Bureau Technical Circular or equivalent • demonstration of satisfactory standard of work on at least one completed local building project of HKIA Group II Type or above with total building cost over HK\$100 million, covering mainly new works construction, within the past 5 years. Building renovation projects or interior design projects are not counted 	<ul style="list-style-type: none"> • have obtained the ISO 9001:2008 certification as detailed in the current Development Bureau Technical Circular or equivalent • demonstration of satisfactory standard of work on at least one completed local building project of HKIA Group II Type or above with total building cost over HK\$100 million, covering mainly new works construction, within the past 5 years. Building renovation projects or interior design projects are not counted 	
Eligibility	eligible to bid for AACSB consultancies of the appropriate category with estimated project value exceeding HK\$245 million each	eligible to bid for AACSB consultancies of the appropriate category with estimated project value not exceeding HK\$245 million each	eligible to bid for a minor public building project with estimated project value not exceeding HK\$18 million each or the estimated consultancy fee is less than HK\$1.43 million each, whichever the lower

INDUSTRY OVERVIEW

	Band 1 List of Consultants of AACSB	Band 2 List of Consultants of AACSB	Extra band compiled, maintained and provided separately by the Association of Architectural Practices in Hong Kong and the HKIA
Number of architectural service providers holding such qualification in 2012	22	19	77

Note:

1. Qualified architect means corporate member of the HKIA or a Registered Architect or an Authorised Person.

As at the Latest Practicable Date, there were 174 architectural service companies duly registered in the HKIA. As such, there were around 50 architectural service companies which were not included in these three bands. The entry barrier of Band 1 List of Consultants of AACSB is higher than the other two bands. Further, the project value of the projects that the architectural service companies in the Band 1 List of Consultants of AACSB are eligible to bid for is the highest among the three bands. As such, the banding of architectural service providers serves as a guideline for property developers to select eligible service providers.

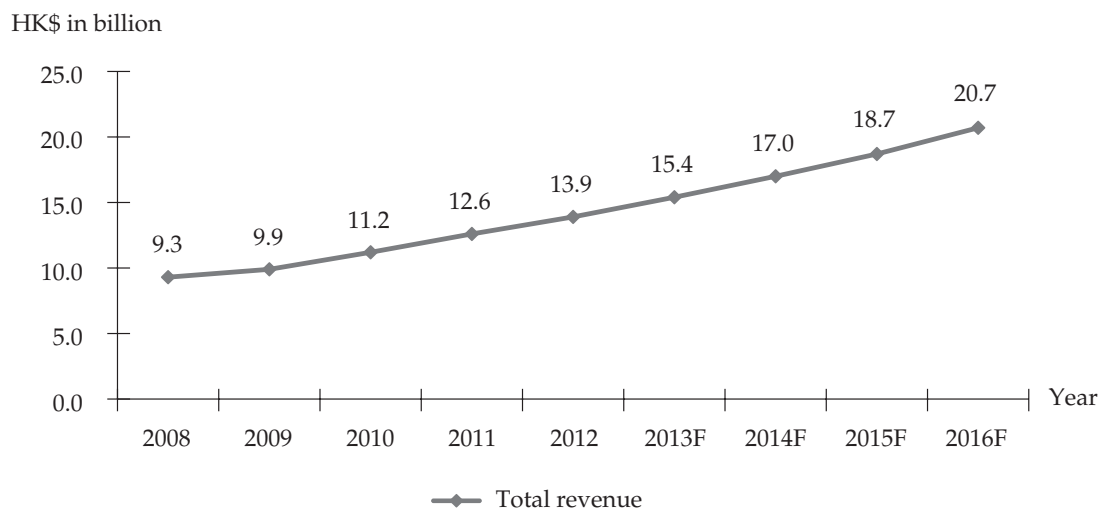
Market of the architectural service industry in Hong Kong

The estimated total revenue of the architectural service industry grew at a CAGR of 10.6% from HK\$9.3 billion in 2008 to HK\$13.9 billion in 2012. The growth in the total revenue was mainly attributed to the strong growth in the construction industry in Hong Kong. During the same period, the total construction output value of property and facilities development projects in Hong Kong increased from HK\$99.6 billion in 2008 to HK\$159.6 billion in 2012, representing a CAGR of 12.5%.

Driven by the strong construction industry, numerous construction projects are now under the pipelines. The total revenue of the architectural service industry is expected to increase from HK\$15.4 billion in 2013 to HK\$20.7 billion in 2016, representing a CAGR of 10.4%.

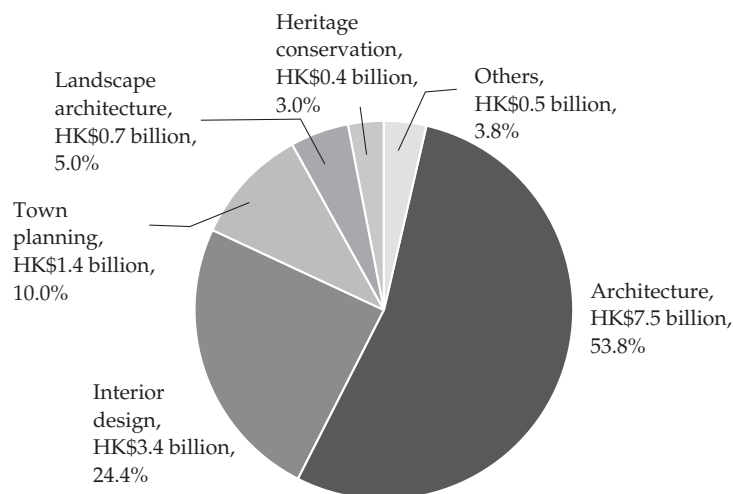
INDUSTRY OVERVIEW

Total revenue of the architectural service industry in Hong Kong from 2008 to 2016



Architecture accounted for 53.8% of the total revenue of the architectural service industry in 2012. It is the core service segment of the industry as majority of the registered architectural service providers provide such service and extend into other segments through it to maximize their market opportunities.

Revenue for the architectural service industry in Hong Kong by service type in Hong Kong in 2012



INDUSTRY OVERVIEW

Competitive landscape of the architectural service industry in Hong Kong

It was estimated that there were over 2,000 service providers involved in the Hong Kong architectural service industry in 2012, of which the number of interior design service providers account for 80%. Architectural service providers with established close relationship with key property developers in Hong Kong and with high reputation and creditability enjoy competitive advantage of having more information and opportunity to obtain contracts. Also, the Government is responsible for the construction of all public buildings and major infrastructure projects, thus maintaining a good relationship with Government authorities is advantageous for obtaining public sector projects.

The following table set forth the rankings and other information of the architectural service providers in Hong Kong in terms of revenue in 2012:

Rank	Name of Company	Location of Headquarter	Revenue in 2012 ^(Note 1) (HK\$ million)	Market Share of Total Industry Revenue (%)	Number of Offices Globally	Practice Areas
1	Company A	outside Hong Kong	3,103	18.6%	27	Architecture, town planning, landscape architecture, interior design, heritage conservation
2	Company B	Hong Kong	1,078	6.5%	16	Architecture, town planning, landscape architecture, interior design
3	Company C	Hong Kong	458	2.7%	5	Architecture, town planning, landscape architecture, interior design
4	Company D	Hong Kong	380	2.3%	5	Architecture, town planning, landscape architecture, interior design
5	Company E	Hong Kong	302	1.8%	5	Architecture, interior design
6	Company F	Hong Kong	296	1.8%	5	Architecture, landscape architecture, town planning
7	Our Group	Hong Kong	268	1.6%	6	Architecture, town planning, landscape architecture, interior design, heritage conservation
8	Company G	Hong Kong	251	1.5%	3	Architecture, town planning

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Rank	Name of Company	Location of Headquarter	Revenue in 2012 ^(Note 1) (HK\$ million)	Market Share of		Practice Areas
				Total Industry Revenue (%)	Number of Offices Globally	
9	Company H	Hong Kong	215	1.3%	6	Architecture, town planning, landscape architecture
10	Company I	Outside Hong Kong	190	1.1%	4	Architecture, landscape architecture, town planning

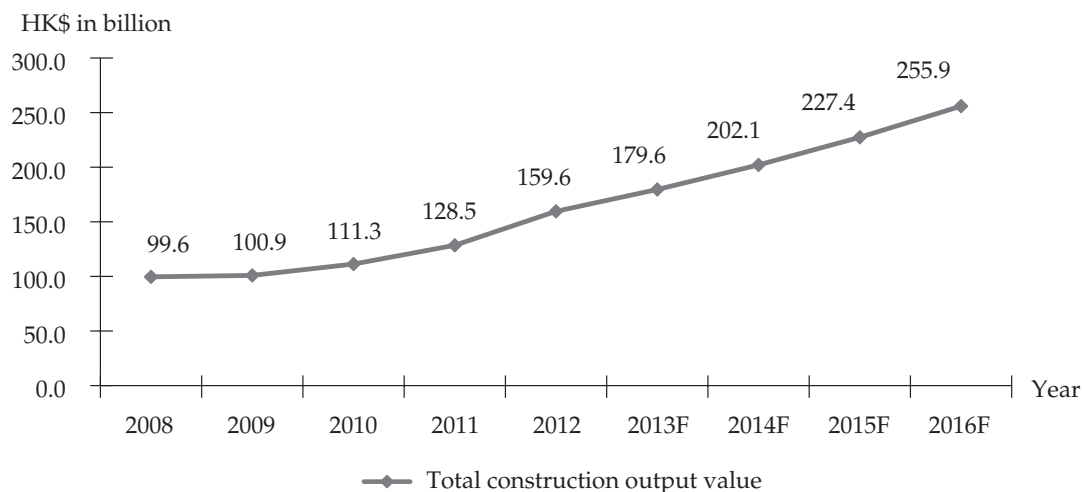
Note 1: Revenues of the top 10 architectural service providers in Hong Kong include their international revenues generated in and outside of Hong Kong

Prospect of the architectural service industry in Hong Kong

According to the Hong Kong Trade Development Council, exports of architectural, engineering and other technical services increased from HK\$1,034 million in 2005 to HK\$2,233 million in 2010. Many construction projects in the PRC, particularly in the Pearl River Delta region, have offered immediate business opportunities for architects in Hong Kong. And CEPA has offered greater flexibility and made business environment more favorable to Hong Kong architectural service providers. In February 2004, the HKIA reached an agreement with the National Administration Board of Architectural Registration on mutual recognition of qualification by examination. According to the agreement, Hong Kong architects can obtain the PRC's Class 1 registered architect qualification after fulfilling certain requirements to act as partners in setting up construction and engineering design offices in the PRC in accordance with the qualification requirements. This is expected to drive the growth of the architectural service industry in Hong Kong. Furthermore, according to the 2012 to 2013 Budget, Hong Kong government's annual expenditure on capital works will exceed HK\$70 billion for three to five years starting from 2012. There are several major projects that are likely to be commencing in the near term, such as the Shatin-Central Link Railway, projects related to the Hong Kong-ZhuHai-Macau Bridge development, the Kai Tak Development Plan, the Tuen Mun-Cheuk Lap Kok Link, the remainder of the Central Wanchai Bypass, etc. There are also plans for the development of the West Kowloon Cultural District as well as converting older industrial buildings for residential use in districts with fast expanding population. In addition, the government has also raised the possibility of the private construction and construction sector for participating in the local public housing construction projects in the future. Such large scale construction projects from public sector will boost the demand for architectural service industry in the future.

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Estimated total construction output value of property and facilities development projects in Hong Kong from 2008 to 2016



Entry barrier of the architectural service industry in Hong Kong

Due to various market entry barriers, new entrants find it difficult to enter into architectural service industry in Hong Kong. Firstly, architectural service industry is one of the specialist industries in Hong Kong which required registered qualifications in order to provide service. Secondly, well-known architectural service providers in the market may already have strong business relationship with the major property developers in Hong Kong so they can easily link to the projects undertaken by those developers. Thirdly, existing architectural service providers have developed reputation in the market which gives them advantage for gaining projects from property developers.

ARCHITECTURAL SERVICE INDUSTRY IN THE PRC

Architectural services in the PRC

Qualifications

In order to perform certain services as specified by law in the architectural service industry in the PRC, the individual has to be registered. Non-registered individuals are prohibited from performing such services. As at 31 December 2012, there were 86,626 registered professionals divided into different categories in the PRC.

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The following table sets forth the category of qualification, scope of practice and the number of persons having the qualification as at 31 December 2012:

Category of qualification	Scope of practice	Number of persons having the qualification as at 31 December 2012
Registered architects (註冊建築師)	1) Architectural design; 2) technical consultation of architectural design; 3) architecture investigation and evaluation; 4) construction guidance and supervision	Class 1: 17,118 Class 2: 12,460
Registered structural engineers (註冊結構工程師)	1) Structural engineering design; 2) technical consultation of structural design; 3) structures investigation and evaluation; 4) construction guidance and supervision	Class 1: 19,877 Class 2: 4,206
Registered civil engineers (註冊土木工程師)	1) Research projects and prospect construction address; 2) construction structure design; 3) construction method study; 4) guidance and supervision of construction	2,300
Registered building service engineers (註冊公用設備工程師)	1) Public equipment design; 2) technical consultation of public equipment design; 3) consultation of public equipment tender & bid; 4) management of public equipment projects; 5) guidance and supervision of public facility construction	8,490

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Category of qualification	Scope of practice	Number of persons having the qualification as at 31 December 2012
Registered electrical engineers (註冊電氣工程師)	1) Electrical engineering design; 2) technical consultation of electrical engineering; 3) consultation of electrical engineering tender & bid; 4) management of electronical engineering projects; 5) guidance and supervision of electronical engineering construction	5,684
Registered process engineers (註冊化工工程師)	1) Process engineering design; 2) technical consultation of process engineering; 3) consultation of process engineering tender & bid; 4) management of process engineering projects; 5) guidance and supervision of process engineering construction	975
Registered town planners (註冊城市規劃師)	Possess right of confirmation of maps, texts and license files of the responsible urban planning, and bear the corresponding legal and economic responsibility	9,743
Registered cost engineers (註冊造價工程師)	1) Construction project investment evaluation; 2) engineering project cost control; 3) appraisal of construction project; 4) others related to engineering project cost	5,773
Total		<hr/> 86,626 <hr/>

Note: A person can hold several qualifications, but only one qualification could be confirmed when assessing registered personnel

INDUSTRY OVERVIEW

Qualifications of comprehensive architectural service providers in the PRC

The following table sets forth the category of qualification, description of the standard of the qualification and the number of comprehensive architectural service providers in the PRC as at 31 December 2012:

Category of qualification	Description of the standard of the qualification	Grade A	Grade B	Grade C	Other
Integrated qualification of engineering design (工程設計綜合資質)	— Qualification that covers all service types in 21 industries	58	—	—	—
Industrial qualification of architectural engineering design (建築行業工程設計資質)	— Qualification that covers all service types in the architectural industry	1,633 ^(Note 3)	1,508 ^(Note 3)	1,492 ^(Note 3)	123 ^(Note 3)
Professional qualification of architectural engineering design (建築工程設計專業資質)	— Qualification that covers all service types in the architectural engineering industry				
Qualification of Architectural Design Firm (建築工程設計事務所資質)	Architectural design firm (建築設計事務所)	86	16	32	9
	Structural design firm (結構設計事務所)	33	1	—	—
	Mechanical & electrical design firm (機電設計事務所)	21	—	—	—
Specific qualification of engineering design (工程設計專項資質)	Undertaking various specific qualification including, architectural decoration, environmental engineering, landscape architecture, lighting engineering, intelligent building, fire prevention engineering, building curtain wall, light steel structure and integration of design & construction	1,765	4,162	—	401
No qualification (estimated number)			1,200		

Note 1: integrated qualification of engineering design has the widest scope of practice, highest requirement and covers all the other qualifications above, which is the most difficult to obtain by architectural service providers

Note 2: industrial qualification of architectural engineering design and qualification of architectural design firm cannot be obtained at the same time, industrial qualification of architectural engineering design can only be applied from Grade B on condition of the cancellation of the qualification of architectural service provider

Note 3: represented total of industrial qualification of architectural engineering design and professional qualification of architectural engineering design

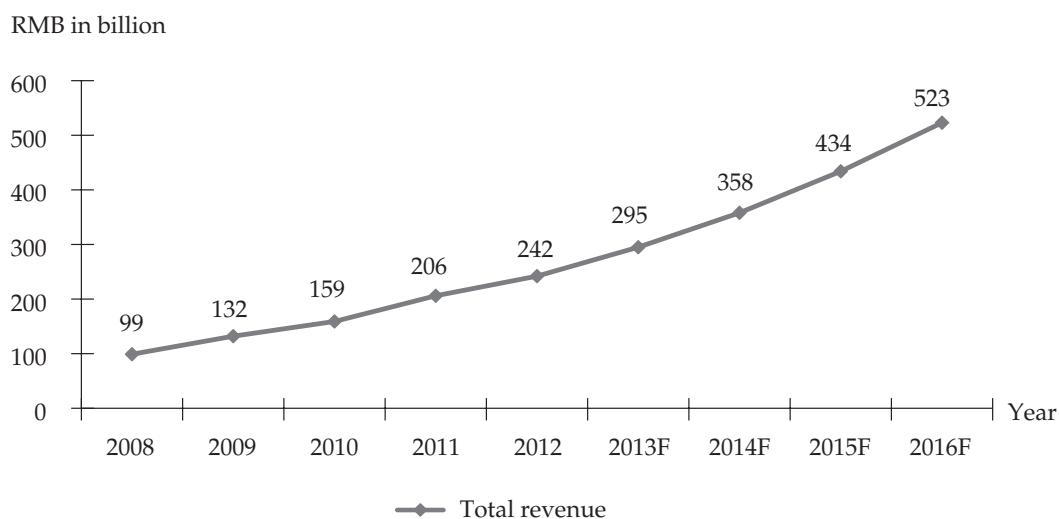
INDUSTRY OVERVIEW

Market of the architectural service industry in the PRC

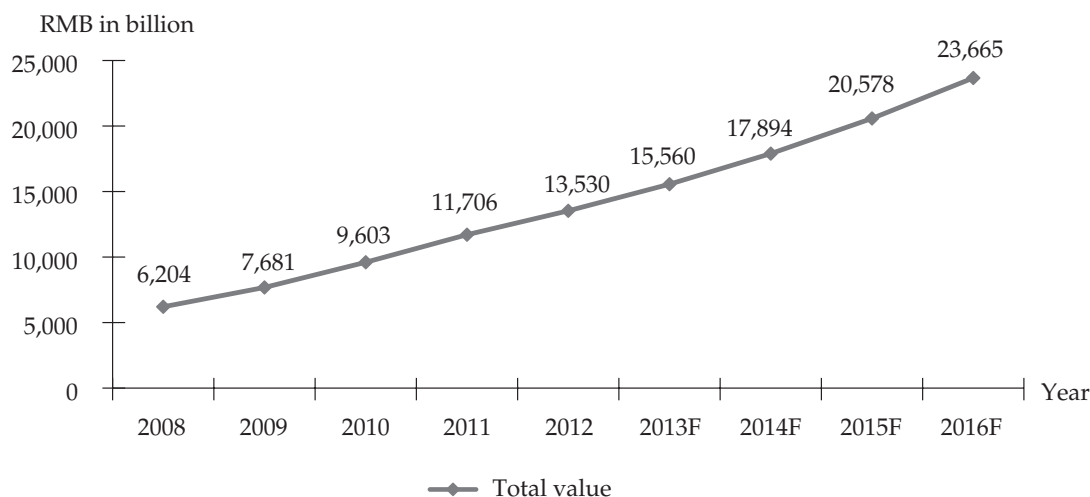
The estimated total revenue of architectural service industry grew at a CAGR of 25.0% from RMB99 billion in 2008 to RMB242 billion in 2012. The growth in the total revenue was mainly attributed to the strong growth in the construction industry in the PRC. During the same period, the total output value of the construction industry increased from RMB6,204 billion in 2008 to RMB13,530 billion in 2012, representing a CAGR of 21.5%.

Driven by the development of the construction industry and fast urbanization rate, the leading developers in the PRC demand for higher standard of architecture services, etc. The total revenue of the architectural service industry in the PRC is expected to increase from RMB295 billion in 2013 to RMB523 billion in 2016.

**Total revenue of the architectural service industry
in the PRC from 2008 to 2016**



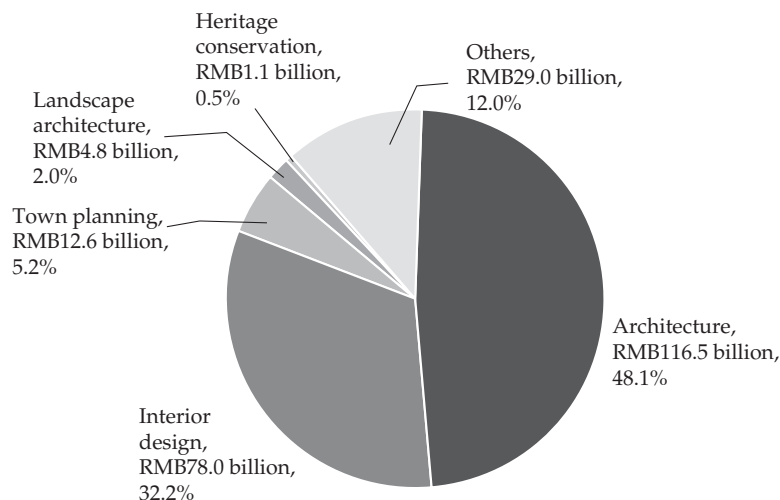
**Total values of property and facilities development and
construction project in the PRC from 2008 to 2016**



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Residential building design is the main segment for architectural services in the PRC, with the rapid development of the real estate market in the PRC, architecture becomes the core service segment of the architectural service industry in the PRC. In 2012, it accounted for approximately 48.1% of the total revenue of the architectural service industry.

**Revenue for the architectural service industry
in the PRC by service type in the PRC in 2012**



Competitive landscape of the architectural service industry in the PRC

The architectural service market in the PRC is highly fragmented with different types of service providers offering comparable services types including architecture, landscape architecture, town planning, interior design, heritage conversion service, etc. There were 12,682 architectural service companies in the PRC in 2012 and among which only 1,831 companies held the Grade A Qualification, representing 14.0% of the total number of architectural service companies in the PRC. Architectural service providers with certain advantageous qualifications, long-term relationship with government organisations and property developers in the PRC as well as good reputation and credibility enjoy competitive advantage of having more information and opportunity to obtain contracts.

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The following table set forth the rankings and other information of the architectural service providers in the PRC in terms of revenue in 2012:

Rank	Name of Company	Headquarter location	Revenue in 2012 (RMB million)	Share of total industry revenue (%)	Key service range and special features
1	Company 1	PRC	4,434	3.6	Its main business scope covers: architecture design and consultation; urban and town planning; municipal engineering comprehensive design; urban gas and industrial gas design; sewage and garbage disposal; road and bridge design; building intelligence and systems design; building standardization design; landscape design; project supervision; project general contracting; residential projects study; research works concerning building standardization, scien-tech information, architectural history, building economy etc.
2	Company 2	PRC	3,696	3.0	Its main business covers master planning and urban design, transportation facilities, sports and cultural facilities, commercial and retail buildings, hotels and resorts, healthcare facilities, exhibition and convention centres, residential complexes, education facilities, industrial and manufacturing facilities, interior design and landscaping design etc.
3	Company 3	PRC	1,661	1.3	Its main business covers architectural built environment design service including building design, urban design and planning, landscape design, interior design, heritage conservation; and Civil defence project design. It covers the infrastructure, highway and special projects design, such as environmental engineering water pollution prevention and control design

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Rank	Name of Company	Headquarter location	Revenue in 2012 (RMB million)	Share of total industry revenue (%)	Key service range and special features
4	Company 4	PRC	1,620	1.3	Its main business covers urban planning, investment planning, large-scale public building design, civil design, interior design, landscape design, design of intelligent systems for buildings, project estimating, project administration and project contracting
5	Company 5	PRC	1,605	1.3	Its main business covers strategy consulting, urban planning, building design, landscape design, interior design, signage design, construction management, structural engineering, M.E.P Engineering, infrastructure engineering, geotechnical engineering etc.
Others			110,984	89.5	
Total			124,000	100.0	

Prospect of the architectural service industry in the PRC

According to the Ipsos Report, various factors will stimulate the growth of the architectural service industry. Firstly, steady growth of macro-economy in the PRC and its strong fixed asset investment will provide solid economic foundation for the development of the architectural service industry. Gross domestic product in the PRC is expected to continue with a growth rate of over 7% in the next few years, which ensures growth potential of the architectural service industry. Secondly, fast urbanization has been one of the key drivers for continuous investment for both public facilities and residential housings, which affects the demand for the architectural service industry. Urbanisation rates have increased from 45.7% in 2008 to 52.6% in 2012, and is expected to grow to 55.0% in 2015, and eventually reach 65.0% in 2030. Thirdly, regulations and policies issued by the PRC government favor the development of architectural service industry and have led to the increasing of architectural service providers during the last decade. The increase of different types of architectural service providers not only enlarged the total capacity of architectural service, but also improved the quality of architectural service provided in the PRC.

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Entry barrier of the architectural service industry in the PRC

There are several major barriers to enter into the architectural service market in the PRC, namely, qualification requirements, lack of qualified architects and industrial experience restrictions.

Qualification requirements

According to the Ipsos Report, the MOHURD has issued explicit regulations to strictly control the qualifications of architectural service providers which form a barrier for new entrants entering into this market in the PRC.

Lack of qualified professionals

Architectural service industry is a service industry which relies on experienced qualified professionals of different categories. As at 31 December 2012, there were only 86,626 registered professionals divided into different categories in the PRC, which forms an entry barrier for new entrants without sufficient manpower.

Industrial experience restrictions

Project experience as well as good reputation and firm image can only be obtained through long-term accumulation, which makes it more difficult for new entrants to compete with existing architectural service providers.

HONG KONG

We are a comprehensive architectural service provider in Hong Kong and the PRC. In particular, we have five major practice areas: (a) architecture; (b) landscape architecture; (c) town planning; (d) interior design; and (e) heritage conservation. The practices of architecture, landscape architecture and town planning are governed by comprehensive statutory licensing and qualification systems. As at the Latest Practicable Date, there was no statutory or mandatory licensing and qualification system governing the segments of interior design and heritage conservation but certain non-official certifications and/or membership schemes have been implemented.

Architecture

Licensing and qualification

In the profession of architecture, there are two non-mutually exclusive statutory licenses: (a) Registered Architect (“**RA**”); and (b) Authorised Person (“**AP**”). The licensing of RA is principally governed by the Architects Registration Ordinance while the licensing of AP is principally governed by the Buildings Ordinance.

Registered Architect (“RA”)

The registration of RA is governed by the AR Board. According to section 13 of the Architects Registration Ordinance, to be a RA, a person must fulfil the following six criteria:

- (a) he/she is a member of the HKIA or possesses such membership, training and/or experience that the AR Board accepts;
- (b) he/she has 1 year’s relevant professional experience in Hong Kong;
- (c) he/she is ordinarily resident in Hong Kong;
- (d) he/she is not the subject of an inquiry committee or a disciplinary order under Part IV of the Architects Registration Ordinance which precludes him/her from being registered under the Architects Registration Ordinance;
- (e) he/she declares in writing that he/she is competent to practice as an architect; and
- (f) he/she is a fit and proper person to be registered.

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As to sub-paragraph (a) above, pursuant to rule 5A of the HKIA Rules, a member of the HKIA shall be a qualified architect, duly nominated and elected by the HKIA Council, who

- (a) is a member of any other architects' association, institution or register recognised by the HKIA Council for the purpose of admission; or
- (b) holds a degree or diploma in architecture recognised by the HKIA Council, has two years post — graduate architectural experience or its equivalent as defined by the HKIA Council from time to time and who has passed the HKIA/AR Board Professional Assessment or its approved equivalent.

Further, under section 13(2) of the Architects Registration Ordinance, the AR Board can refuse to register a person as a RA who (a) has been convicted in Hong Kong or elsewhere of any offence which may bring the profession into disrepute and sentenced to imprisonment, whether suspended or not; or (b) has committed misconduct or neglect in a professional respect.

According to section 16(1) of the Architects Registration Ordinance, the entry in the registration of a RA remains in force for 12 months from the date of being registered and needs to be renewed annually. A certificate of registration will be issued to the RA under section 18 of the Architects Registration Ordinance.

Authorised Person ("AP")

In Hong Kong, any person who intends to carry out building works is required by law, i.e. section 4(1) of the Buildings Ordinance, to appoint an AP as the co-ordinator of such building works, and to prepare and submit plans for the approval of Building Authority under the Buildings Ordinance, he/she is also required to appoint a registered contractor to carry out the building works.

AP has statutory responsibilities, i.e. section 4(3) of the Buildings Ordinance, for co-ordinating, supervising and carrying out building works and submitting stability certificates and test reports. When breach of statutory provisions is identified, the Building Authority may order works to cease or to be remedied. Offenders are also liable to prosecution or disciplinary proceedings.

Under section 3 of the Buildings Ordinance, the Building Authority shall keep a register of AP for public inspection. The major requirements for registration as AP pursuant to regulation 3 of the Building (Administration) Regulations is summarized as follows:

- (a) the applicant is a RA; and
- (b) the applicant has, for a continuous period of 1 year within the 3 years preceding the date of his/her application, such practical experience gained in Hong Kong as the AP registration committee considers appropriate.

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The AP registration committees will examine the qualifications and experience of the applicants and conduct professional interviews with the applicants. An applicant must satisfy the AP registration committee on his/her suitability for inclusion in the AP register. In this context, an applicant has to demonstrate that he/she has adequate practical experience and general knowledge in the architectural profession to meet local requirements and to discharge his duties in Hong Kong. He/she will also be expected to have acquired a working knowledge of the Buildings Ordinance and allied matters: the main criterion is a thorough understanding of general principles and fundamental requirements. For details of the application for registration as AP, please refer to the Practice Note “APP-7” published by the Buildings Department.

Corporate membership in HKIA

HKIA allows corporate membership. In other words, the architectural practice can be carried out by the architects through an incorporation of a company limited by shares. According to rule 5C of the HKIA Rules, corporate members shall be corporations carrying on an architectural practice in Hong Kong at least one of whose directors is a foundation member, a member or a fellow of HKIA. In the event that a corporate member ceases to fulfil this requirement, the HKIA Council may terminate its membership, but may reinstate the corporate membership upon the requirement being fulfilled.

According to rule 5D of the HKIA Rules, a corporate member shall abide by the HKIA Rules but its obligations shall be separate and distinct from the individual obligations of such persons who may be directors or members or employees of the corporate member who may also be members of HKIA. As such, there is no statutory requirement governing the establishment of an architectural firm/company in Hong Kong (save and except the use of titles by this firm/company; for details, please refer to the coming section named “Use of title”). In practice, a Hong Kong architectural firm/company must have an AP because all the drawings and plans must be endorsed by an AP before submitting to the Building Authority for approval.

Use of title

Section 30(1) of the Architects Registration Ordinance states that a person whose name does not appear on the register shall not be entitled to describe himself as “architect” or “registered architect” or to use the initials “R.A.” after his name. Section 30(3)(b) of the Architects Registration Ordinance further states that a person whose name is not on the register may describe himself as an architect if he describes himself by reference to a membership of an overseas body or institute of architects which description does not imply that he has the right to practise architecture in Hong Kong under the description of architect.

Section 30(4) of the Architects Registration Ordinance states that a person, including a firm or company shall not use the description of “architects” or “registered architects” or the initials “R.A.” unless (a) at each place where the person carries on the business of architecture, the business is conducted under the supervision of a RA who does not act at the same time in a similar capacity for any other person other than a firm or company that has substantially the same beneficial ownership and management as the person (where

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the person is a firm or company); (b) where the person carries on a multidisciplinary practice, the business, so far as it relates to architecture, is under the full time control and management of a RA who does not act at the same time in a similar capacity for any other person other than a firm or company that has substantially the same beneficial ownership and management as the person (where the person is a firm or company).

Any person who breaches the aforesaid provisions commits an offence and is liable to a fine of HK\$50,000.00 and to imprisonment for 1 year.

Professional conduct

According to section 21 of the Architects Registration Ordinance, a RA commits a disciplinary offence if he/she commits misconduct or neglect in any professional respect. In deciding whether a person has committed a disciplinary offence, the code of professional conduct or practice promulgated by the AR Board ("**AR Board Code**") and currently in use by the HKIA ("**HKIA Code**") will be referred to.

Corporate membership in HKIA has been permitted since 2007. Therefore, the code of professional conduct applicable to individual members equally applies to corporate members. The following is a brief summary of the principle terms of the code of professional conduct currently in use:

- (a) A RA shall faithfully carry out the duties which he undertakes, and shall have a proper regard for the interests both of those who commission and of those who may be expected to use or enjoy the product of his work — (*Principle 1 of HKIA Code; Clause 2 of AR Board Code*).
- (b) A RA shall avoid any action or situation inconsistent with his professional obligations or likely to raise doubts about his integrity — (*Principle 2 of HKIA Code; Clause 5 of AR Board Code*).
- (c) A RA shall rely only on ability and achievement as the basis for his advancement — (*Principle 3 of HKIA Code; Clause 6 of AR Board Code*).
- (d) A RA shall endeavour to promote architectural excellence through his work and by the encouragement of others — (*Principle 4 of HKIA Code; Clause 1 of AR Board Code*).
- (e) A RA shall at all times, whether in the course of business or not, conduct himself with the honesty, integrity and propriety to be expected of a member of an honourable profession. He shall not act in any manner which is liable to bring the professional of architecture in Hong Kong into disrepute — (*Clause 4 of AR Board Code*).
- (f) A RA shall act impartially and professionally at all times. He shall administer building contracts under his control with fairness and integrity — (*Rule 1.3 of HKIA Code; Clause 4 of AR Board Code*).

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- (g) A RA shall be automatically disqualified to serve or act as a partner or director of any architectural practice proffering services to the public when he becomes an undischarged bankrupt or has his application for renewal of registration rejected by the AR Board — (*Rule 2.6 of HKIA Code; Clause 7 of AR Board Code*).

If a RA is found to have committed a disciplinary offence, depending on the seriousness of the offence, he/she may be reprimanded in writing by the registrar of the AR Board, or his/her name of RA may be removed from the register (whether for a fixed period or not), and/or he/she may be ordered to pay the costs of the disciplinary proceedings.

Continuing professional development (CPD)

According to rule 23B of the HKIA Rules, every member must fulfil the requirements of CPD which HKIA Council may from time to time determine, failing which his/her membership may be terminated. The current requirement is that members are required to undertake a minimum 25 hours of CPD activities in one year. The CPD credit hours can be obtained through participating in the CPD activities organised by HKIA or other recognized service providers which include the various tertiary institutions, professional and allied institutions, government agencies and commercial course providers.

Marketing and advertising

Marketing and advertising are restricted in Hong Kong architectural profession. According to rule 2.3 of HKIA Code, a member shall not take discounts, commissions, or gifts as an inducement to show favour to any person or body, nor shall he/she in his/her professional capacity recommend in advertisements any service or product associated with his/her profession.

Point-to-point promotion is permitted. Pursuant to clause 2.2 of the HKIA Guidelines on Dissemination of Information and Promotion of Professional Services ("**HKIA Promotion Guidelines**"), a member may make his/her availability and experience known to potential clients by providing information which in substance and in presentation is factual, relevant and accurate, neither misleading nor unfair to other members nor discreditable to the profession. Clause 2.3 of the HKIA Promotion Guidelines limits the use of generalized terms, such as "best", "largest" and "most" in regard to quality or size of practice or projects in promotional materials. Clause 2.4 of the HKIA Promotion Guidelines disallows any member to make comparison of his/her own practice with any other members' practice.

Operation

According to rule 3.1 of the HKIA Code, members of the HKIA shall uphold and apply the HKIA Agreement between Client and Architect and the Scale of Professional Charges contained therein ("**HKIA Agreement**"). The HKIA Agreement is for the mutual

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benefit of clients and architects. It determines the minimum fees for which members of the HKIA may undertake work and describes the professional services which clients may expect in return.

The appendix to the HKIA Agreement sets out the scale and calculation method of the professional charges. In general, the construction projects are classified into three types (i) complex; (ii) medium-complex; and (iii) simple. Different types have different scales. The scale is in terms of a particular percentage of the total project value. With the same project values, the “complex” type has a higher percentage of scale than the “simple” type.

The HKIA Agreement also suggests the portion of remuneration for different work stages, the minimum hourly rate of different positions of staff in architectural firm/company and the minimum charges for some other services, such as preparing and/or signing of assignment plans, preparing and/or signing deed of mutual covenants plans, etc.

Pursuant to section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works or street works without having first obtained from the Building Authority (a) his approval in writing of documents submitted to him in accordance with the regulations; and (b) his consent in writing for the commencement of the building works or street works shown in the approved plan. Pursuant to section 14AA of the Buildings Ordinance, section 14(1) of the Buildings Ordinance does not apply in respect of minor works commenced under the simplified requirements.

The prescribed plans and in respect of building works are set out under section 8 of the Building (Administration) Regulations. Pursuant to section 12 of the Building (Administration) Regulations, all plans, structural details and calculations submitted to the Building Authority for approval shall be prepared and signed by an authorised person, and his signature shall be deemed to be his assumption of all responsibility for the plan, structural details or calculations, as the case may be.

Pursuant to section 16(1) of the Buildings Ordinance, the Building Authority may refuse to give his approval of any plans of building works under the following situations (not exhausted):

- the plans are not endorsed with or accompanied by a certain certificate from the Director of Fire Services;
- the building works shown in the plans would contravene any approved or draft plan prepared under the Town Planning Ordinance (Cap. 131);
- the building works are within a comprehensive development area of an approved or draft plan prepared under the Town Planning Ordinance (Cap. 131) and the works contravene a master lay-out plan approved by the Town Planning Board under section 4A(2) of the Town Planning Ordinance (Cap. 131); and/or

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- the carrying out of the building works shown thereon would result in a building differing in height, design, type or intended use from buildings in the immediate neighbourhood or previously existing on the same site.

Pursuant to section 16(3) of the Buildings Ordinance, the Building Authority may refuse to give his consent to the commencement of any building works or street works under the following situations (not exhausted):

- any condition or requirement imposed by him under section 17(1) of the Buildings Ordinance in respect of the building works or street works has not been complied with to his satisfaction;
- he is not satisfied that the authorised person, registered structural engineer, registered geotechnical engineer, registered general building contractor or registered specialist contractor has adequately provided precautionary and other protective measures for demolition works;
- the authorised person has not lodged a supervision plan for the works; and/or
- a period exceeding 2 years has elapsed since the approval of any of the prescribed plans in respect of the building works or street works.

Pursuant to section 21(1) of the Buildings Ordinance, no new building shall be occupied in any way except by not more than 2 caretakers unless (a) in respect of such building the Building Authority has issued an occupation permit; or (b) in respect of the whole or any part of the building which is being occupied there is a temporary occupation permit, issued by the Building Authority, which temporary occupation permit has not expired and has not been revoked by the Building Authority.

Pursuant to section 21(6) of the Buildings Ordinance, the Building Authority may refuse to issue a temporary occupation permit or an occupation permit under this section under the following situations (not exhausted):

- any part of the building works has been carried out in contravention of any of the provisions of the Buildings Ordinance;
- in the case of a building in which a liftway is provided, a lift has not yet been installed therein, unless the liftway has been protected to the satisfaction of the Building Authority in such manner as to avoid any danger to persons using the building;
- in the case of a building the plans whereof were certified by the Director of Fire Services in the terms indicated in section 16(1)(b)(ii) of the Buildings Ordinance, the applicant for the permit fails to produce to the Building Authority a certificate from the Director of Fire Services in such form as may be prescribed certifying that he is satisfied that the fire service installations and equipment shown on the plans aforesaid have been provided and are in efficient working order and satisfactory condition; and/or

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- in the case of a building to which by regulations a supply of water is required to be connected for any purpose, the Building Authority is not satisfied that connexion of a supply of water for every such purpose, which complies in every respect with all the requirements of the regulations, has been made to the building.

Pursuant to section 40(1AA) of the Buildings Ordinance, any person who knowingly contravenes section 14(1) of the Buildings Ordinance in respect of building works (other than minor works) or street works shall be guilty of an offence and shall be liable on conviction (a) to a fine of \$400,000 and to imprisonment for 2 years; and (b) to a fine of \$20,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Pursuant to section 40(1) of the Buildings Ordinance, any person who contravenes section 21(1) of the Buildings Ordinance shall be guilty of an offence and shall be liable on conviction (a) to a fine at level 6 and to imprisonment for 2 years; and (b) to a fine of \$5,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Landscape Architecture

Licensing and qualification

In the profession of landscape architecture, there is one statutory license: Registered Landscape Architect (“**RLA**”). The licensing of RLA is principally governed by the Landscape Architects Registration Ordinance.

Registered Landscape Architect (“RLA”)

The registration of RLA is governed by the LAR Board. According to section 12 of the Landscape Architects Registration Ordinance, to be a RLA, a person must fulfil the following six criteria:

- (a) he/she is a member of the HKILA or possesses such membership, training and/or experience that the LAR Board accepts;
- (b) he/she has 1 year’s relevant professional experience in Hong Kong;
- (c) he/she is ordinarily resident in Hong Kong;
- (d) he/she is not the subject of an inquiry committee or a disciplinary order under Part IV of the Landscape Architects Registration Ordinance which precludes him/her from being registered under the Landscape Architects Registration Ordinance;
- (e) he/she declares in writing that he/she is competent to practise as a landscape architect; and
- (f) he/she is a fit and proper person to be registered.

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As to sub-paragraph (a) above, according to article 1.2 of the HKILA Bye-laws, a professional member shall have completed at least two years' working experience in landscape architecture, one year of which must have been in Hong Kong, and to have obtained professional status in landscape architecture either by having passed the HKILA's Professional Practice Examination ("PPE") or the examination of a national institute approved by the HKILA Council and listed in article 10 of the HKILA Bye-Laws.

According to paragraph 4 of the Rules and Regulations of the PPE, to be eligible for taking the PPE, the applicant must have been an associate member of the HKILA for at least 12 months. According to article 1.5 of the HKILA Bye-Laws, an associate member shall have graduated from an accredited course and such other courses which have been approved by the HKILA Council and listed in article 9 of the HKILA Bye-laws, i.e. Master of Landscape Architecture in the University of Hong Kong.

Further, under section 12(2) of the Landscape Architects Registration Ordinance, the LAR Board can refuse to register a person as a RLA who (a) has been convicted in Hong Kong or elsewhere of any offence which may bring the profession into disrepute and sentenced to imprisonment, whether suspended or not; or (b) has committed misconduct or neglect in a professional respect.

According to section 15(1) of the Landscape Architects Registration Ordinance, the entry in the registration of a RLA remains in force for 12 months from the date of being registered and needs to be renewed annually. A certificate of registration will be issued to the RLA under section 17 of the Landscape Architects Registration Ordinance.

List of Registered Practices under HKILA

According to article 4.8 of the HKILA Bye-Laws, the registration committee of the HKILA Council shall retain and update a register of practices. According to part A of the Notes to Application/Renewal for Inclusion in the Register of Practices under HKILA, the practice/office which is engaged in providing services for landscape architecture may apply for inclusion in the List of Registered Practices under the HKILA, the practice/office must have: (a) at least one landscape principal having professional or fellow HKILA membership; and (b) he/she is a partner or director of the practice with full legal, managerial and financial responsibility for the landscape work of the practice.

In other words, a landscape architectural practice can be carried out by the RLA through the incorporation of a company limited by shares.

In order to be included in the Register of Practices under the HKILA, our company applicant must declare to be bound by the constitution of the HKILA, HKILA Bye-Laws, Code of Professional Conduct and Conditions of Engagement and Professional Charges of the HKILA.

In the premises, there is no statutory requirement governing the establishment of a landscape architectural firm/company in Hong Kong (save and except the use of titles by this firm/company; for details, please refer to the coming section named "Use of title").

Use of title

Section 29(1) of the Landscape Architects Registration Ordinance states that a person whose name does not appear on the register shall not be entitled to describe himself as “landscape architect” or “registered landscape architect” or to use the initials “R.L.A.” after his name. Section 29(3) of the Landscape Architects Registration Ordinance further states that a person whose name is not on the register may describe himself as a landscape architect if he describes himself by reference to a membership of an overseas body or institute of landscape architects which description does not imply that he has the right to practise landscape architecture in Hong Kong under the description of landscape architect.

Section 29(4) of the Landscape Architects Registration Ordinance states that a person, including a firm or company shall not use the description of “landscape architects” or “registered landscape architects” or the initials “R.L.A.” unless (a) at each place where the person carries on the business of landscape architecture, the business is conducted under the supervision of a RLA who does not act at the same time in a similar capacity for any other person other than a firm or company that has substantially the same beneficial ownership and management as the person (where the person is a firm or company); (b) where the person carries on a multidisciplinary practice, the business, so far as it relates to landscape architecture, is under the full time control and management of a RLA who does not act at the same time in a similar capacity for any other person other than a firm or company that has substantially the same beneficial ownership and management as the person (where the person is a firm or company).

Any person who breaches the aforesaid provisions commits an offence and is liable to a fine of HK\$50,000.00 and to imprisonment for 1 year.

Professional conduct

According to section 20 of the Landscape Architects Registration Ordinance, a RLA commits a disciplinary offence if he/she commits misconduct or neglect in any professional respect. In deciding whether a person has committed a disciplinary offence, the code of professional conduct or practice promulgated by the LAR Board and currently in use by the HKILA will be referred to.

As aforesaid, in order to be included in the Register of Practices under the HKILA, the company applicant must declare to be bound by the Code of Professional Conduct of the HKILA (“**HKILA Code**”). Therefore, the HKILA Code applicable to individual members equally applies to the company being listed in the Register of Practices under the HKILA. The following is a brief summary of the principle terms of the HKILA Code currently in use:

- (a) A HKILA member is remunerated either by salary or by professional fees. The information on professional fees and charges contained in the HKILA’s publication ‘Conditions of Engagement and Professional Charges’ is for the guidance of HKILA members. A HKILA member shall advise his clients in advance of the Conditions of Engagement that appertain, and of the category of membership to which he belongs — (*Clause 3 of HKILA Code*).

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- (b) HKILA members shall act impartially in all cases in which they are acting between parties and shall interpret the conditions of contract with fairness as between their client or employer and contractor — (*Clause 4 of HKILA Code*).
- (c) HKILA members shall agree with their client, in writing, at the outset of a commission, the terms and conditions for the professional services to be supplied — (*Clause 6 of HKILA Code*).
- (d) HKILA members may promote and advertise their services provided always that the information presented is factual, relevant, and neither misleading nor discreditable to the profession — (*Clause 7 of HKILA Code*).

If a RLA is found to have committed a disciplinary offence, depending on the seriousness of the offence, he/she may be reprimanded in writing by the registrar of the LAR Board, or his/her name of RLA may be removed from the register (whether for a fixed period or not), and/or he/she may be ordered to pay the costs of the disciplinary proceedings.

Continuing professional development (“CPD”)

According to the Information Sheet of CPD of HKILA (May 2009), CPD program is a mandatory requirement for members of the HKILA commencing 1 April 2003, failing which the HKILA Council may refuse to renew his/her membership. The current requirement is that members are required to undertake a minimum 12 CPD points in one year. The CPD points can be obtained through participating in various CPD activities organised by HKILA, such as tertiary academic course, formal supervised research, professional training course, information gathering, etc.

Marketing and advertising

According to clause 7 of the HKILA Code, HKILA members may promote and advertise their services provided always that the information presented is factual, relevant, and neither misleading nor discreditable to the profession.

Operation

Clause 3 of the HKILA Code states that the information on professional fees and charges contained in the HKILA’s publication ‘Conditions of Engagement and Professional Charges’ (“**Conditions of Engagement and Professional Charges**”) is for the guidance of HKILA members. A HKILA member shall advise his clients in advance of the Conditions of Engagement that appertain, and of the category of membership to which he belongs. Clause 0.3 of the Conditions of Engagement and Professional Charges states that it is the duty of HKILA members to uphold and apply the Conditions of Engagement and Professional Charges.

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Landscape submissions will only be required in planning permissions or lease conditions where new landscape features are required to fulfil planning objectives/conditions or lease conditions. Landscape master plans (LMP) could be prepared by a RLA or any competent person.

Planning Department will be responsible for processing and vetting of the Landscape master plans (LMP) submitted in connection with planning applications under section 16 of the Town Planning Ordinance (Cap. 131) including compliance with planning conditions. Lands Department will be responsible for processing and vetting of landscape master plans (LMP) under the lease in consultation with the Architectural Services Department.

The applicant may appoint a RLA to certify that the landscape master plans (LMP) or the landscape proposal has been implemented in accordance with the approved landscape master plans (LMP) or landscape proposal respectively and submit a self-certificate of compliance (SCC) to Planning Department. For details, please refer to the joint practice note no. 3 namely “Re-engineering of Approval Process for Land and Building Developments”.

Town Planning

Licensing and qualification

In the profession of town planning, there is one statutory license: Registered Professional Planner (“RPP”). The licensing of RPP is principally governed by the Planners Registration Ordinance.

Registered Professional Planner (“RPP”)

The registration of RPP is governed by the PR Board. According to section 12 of the Planners Registration Ordinance, to be a RPP, a person must fulfil the following six criteria:

- (a) he/she is a member of the HKIP or possesses such membership, training and/or experience that the PR Board accepts;
- (b) he/she has 1 year’s relevant professional experience in Hong Kong;
- (c) he/she is ordinarily resident in Hong Kong;
- (d) he/she is not the subject of an inquiry committee or a disciplinary order under Part IV of the Planners Registration Ordinance which precludes him/her from being registered under the Planners Registration Ordinance;
- (e) he/she declares in writing that he/she is competent to practise as a planner; and
- (f) he/she is a fit and proper person to be registered.

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As to sub-paragraph (a) above, clause 48 of the HKIP Bye-Laws states about the ways to be the full member of HKIP, in particular, the applicant (i) has been a student member for not less than one year; (ii) possesses a two-year full-time postgraduate degree or postgraduate diploma in town planning and has not less than two years of practical town planning experience, at least one year of which shall be in Hong Kong town planning work that shall have been gained after conferment of the degree or diploma but within the last five years before application for full membership; (iii) has passed such qualifying examination as may be prescribed by the HKIP, unless otherwise exempted; and (iv) has satisfied the HKIP Council that he has suitable breadth and depth of planning experience and knowledge and is suitable for election as a full member.

Further, under section 12(2) of the Planners Registration Ordinance, the PR Board can refuse to register a person as a RPP who (a) has been convicted in Hong Kong or elsewhere of any offence which may bring the profession into disrepute and sentenced to imprisonment, whether suspended or not; or (b) has committed misconduct or neglect in a professional respect.

According to section 15(1) of the Planners Registration Ordinance, the entry in the registration of a RPP remains in force for 12 months from the date of being registered and needs to be renewed annually. A certificate of registration will be issued to the RPP under section 17 of the Planners Registration Ordinance.

Corporate membership of HKIP

A company which is engaged in the provision of the services of town planning may apply for inclusion in the HKIP List of Planning Consultants.

Use of title

Section 29(1) of the Planners Registration Ordinance states that a person whose name does not appear on the register shall not be entitled to describe himself as “registered professional planner” or to use the initials “R.P.P.” after his name.

Section 29(3) of the Planners Registration Ordinance states that a person, including a firm or company shall not use the description of “registered professional planners” or the initials “R.P.P.” unless (a) at each place where the person carries on the business of planning, the business is conducted under the supervision of a RPP who does not act at the same time in a similar capacity for any other person other than a firm or company that has substantially the same beneficial ownership and management as the person (where the person is a firm or company); (b) where the person carries on a multidisciplinary practice, the business, so far as it relates to planning, is under the full time control and management of a RPP who does not act at the same time in a similar capacity for any other person other than a firm or company that has substantially the same beneficial ownership and management as the person (where the person is a firm or company).

Any person who breaches the aforesaid provisions commits an offence and is liable to a fine of HK\$50,000.00 and to imprisonment for 1 year.

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Professional conduct

According to section 20 of the Planners Registration Ordinance, a RPP commits a disciplinary offence if he/she commits misconduct or neglect in any professional respect. In deciding whether a person has committed a disciplinary offence, the code of professional conduct or practice promulgated by the PR Board (“**PR Board Code**”) and currently in use by the HKIP (“**HKIP Code**”) will be referred to.

The following is a brief summary of the principle terms of the code of professional conduct currently in use:

- (a) RPPs in discharging their responsibilities to their employers and the professional shall at all times be cognisant of the interests of the general public in matters of town and country planning — (*Clause 6 of HKIP Code; Clause 6 of PR Board Code*).
- (b) RPPs advertising or authorising an advertisement of professional planning services shall ensure that the advertisements are neither misleading to the public nor, such as to prejudice their professional status or the reputation of the profession. In particular, no advertisement of planning services shall contain any of the following: (i) an inaccurate statement; (ii) an explicit comparison between the service offered by the RPP advertising and the service offered by other RPPs; (iii) any endorsement for a commercial product or company; or (iv) statement which runs counter to the provisions of the Planners Registration Ordinance — (*Clause 10 of HKIP Code; Clause 10 of PR Board Code*).
- (c) RPPs must not undertake any duties or carry out any instruction of an employer, client or supervisor which involve making statements purporting to be their own but which are contrary to their bona fide professional opinion — (*Clause 14 of HKIP Code; Clause 14 of PR Board Code*).
- (d) Remuneration: (i) RPPs shall be remunerated for their planning services solely by professional fee paid by clients and/or a salary and other benefits of the conditions of employment with the employers. In particular, RPPs must not undertake any planning services, or participate in any actions, which run counter to the provisions of the Prevention of Bribery Ordinance; (ii) RPPs who are offering professional services shall not reduce a fee quotation to take account of the fee quoted by another planner for the same service — (*Clause 16 of HKIP Code; Clause 16 of PR Board Code*).

If a RPP is found to have committed a disciplinary offence, depending on the seriousness of the offence, he/she may be reprimanded in writing by the registrar of the PR Board, or his/her name of RPP may be removed from the register (whether for a fixed period or not), and/or he/she may be ordered to pay the costs of the disciplinary proceedings.

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Continuing professional development (CPD)

The motions to empower the HKIP Council to make rules, regulations and guidelines for the implementation of a mandatory CPD scheme and to incorporate the CPD requirements as part of the HKIP Code were endorsed by the EGM on 21 December 1999. The policy on CPD was subsequently brought into effect from 1 January 2000. All members of HKIP, except retired members and student members in full-time study, are required to undertake 25 hours of CPD activities in one year. There are three main categories for countable CPD hours, not less than 5 hours shall be spent on each category and for the category on personal development, a maximum of 12 hours limit has been set. As a general rule, day-to-day work and job-related activity should not be counted towards CPD hours. Failing to fulfil the CPD requirements will be a breach of the HKIP Code. The CPD points can be obtained through participating in various CPD activities organised by HKIP, such as conference, training courses, public forum, research, writing articles for journals, etc.

Marketing and advertising

Marketing and advertising are restricted in Hong Kong profession of town planning. According to clause 10 of the HKIP Code, RPPs advertising or authorising an advertisement of professional planning services shall ensure that the advertisements are neither misleading to the public nor, such as to prejudice their professional status or the reputation of the profession. In particular, no advertisement of planning services shall contain any of the following: (a) an inaccurate statement; (b) an explicit comparison between the service offered by the RPP advertising and the service offered by other RPPs; (c) any endorsement for a commercial product or company; or (d) statement which run counter to the constitution of the HKIP.

Operation

There is no statutory requirement governing the daily business operation by a RPP.

The outline zoning plan (OZP) prepared under sections 3(1)(a) and 4(1) of the Town Planning Ordinance (Cap. 131) is accompanied by a schedule of notes showing the uses always permitted (column one uses) and uses that would require permission from the Town Planning Board (column two uses) within a particular zone. There may be additional controls on developments within a particular land use zone and these are specified under the 'Remarks' column in the notes for that land use zone. When your proposed use or development is under 'Column Two' or as required by the 'Remarks' of the notes, you are required to apply for permission under section 16 of the Town Planning Ordinance (Cap. 131).

If the proposed use neither falls within column one uses nor column two uses, you are required to submit an application for amendment of plan under section 12A of the Town Planning Ordinance (Cap. 131).

Any person can submit an application for permission under sections 12A and 16 of the Town Planning Ordinance (Cap. 131). It should be noted that it is not a mandatory requirement to engage qualified professionals in making a submission.

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For more information about the documents required for submissions under sections 12A and 16 of the Town Planning Ordinance (Cap. 131), please refer to the guidance notes on planning applications namely “Application for Amendment of Plan under Section 12A” and “Guidance Notes on Application for Permission under Section 16 of the Town Planning Ordinance”.

Pursuant to section 4A(1)(b) of the Town Planning Ordinance (Cap. 131), the Town Planning Board may permit the undertaking of any building works in respect of a comprehensive development area (CDA). The Town Planning Board may require the applicant for such permission (a) to prepare a master layout plan (MLP) and submit it to the Town Planning Board for approval; and (b) to include information in the master layout plan (MLP) respecting building dimensions, floor area for each use, building development programmes and any other matter the Town Planning Board considers appropriate.

If approved by the Town Planning Board, the master layout plans (MLP) shall be deposited in the Land Registry for public inspection in accordance with section 4A(3) of the Town Planning Ordinance (Cap. 131).

For more information about the format of the master layout plan (MLP), please refer to the guidance note namely “Town Planning Board Guidelines for Submission of Master Layout Plan under Section 4A(2) of the Town Planning Ordinance”.

Interior Design and Heritage Conservation

As at the Latest Practical Date, there is no statutory licensing and qualification requirements regarding the segments of interior design and heritage conservation. In stating so, there is a non-statutory registration system by the Hong Kong Interior Design Association (“HKIDA”) regarding the segment of interior design. HKIDA provides the registration of, in particular, professional member, ordinary member and corporate member.

Under section 3 of the Antiquities and Monuments Ordinance (Cap. 53), the Development Bureau may, after consultation with the Antiquities Advisory Board (AAB) and with the approval of the Chief Executive, by notice in the gazette, declare any place, building, site or structure, which the Development Bureau considers to be of public interest by reason of its historical, archaeological or palaeontological significance, to be a monument, historical building or archaeological or palaeontological site or structure.

Under section 6(1) of the Antiquities and Monuments Ordinance (Cap. 53), no person shall:

- (a) excavate, carry on building or other works, plant or fell trees or deposit earth or refuse on or in a proposed monument or monument; or
- (b) demolish, remove, obstruct, deface or interfere with a proposed monument or monument,

except in accordance with a permit granted by the Development Bureau.

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Under section 19(2) of the Antiquities and Monuments Ordinance (Cap. 53), any person who contravenes section 6(1) of the Antiquities and Monuments Ordinance (Cap. 53) shall be guilty of an offence and shall be liable on conviction to a fine of HK\$100,000 and imprisonment for 1 year.

Further, the Technical Circular (Works) No. 6/2009 “Heritage Impact Assessment Mechanism for Capital works Projects” issued by the Development Bureau dated 18 September 2009 (the “Circular”) must be observed.

Pursuant to paragraphs 5 and 6 of the Circular, “heritage sites” includes (i) all declared monuments; (ii) all proposed monuments; (iii) all sites and buildings graded by the Antiquities Advisory Board (AAB); (iv) all recorded sites of archaeological interest; and (v) government historic sites identified by Antiquities & Monuments Office (AMO).

Pursuant to paragraph 12 of the Circular, an heritage impact assessment (HIA) will be required by Antiquities & Monuments Office (AMO) if (i) the project is wholly or partly within a “heritage site” and Antiquities & Monuments Office (AMO) considers that the project will affect the heritage value of the “heritage site”; and/or (ii) Antiquities & Monuments Office (AMO) considers that the heritage value of any “heritage site” in the vicinity of the project will be affected.

Pursuant to paragraph 15 of the Circular, conservation management plan (CMP) will be required for projects involving large scale conversion works/alteration works/addition works/demolition works within historic buildings/sites in the “heritage sites” list.

THE PRC

A. Laws and Regulations Relating to the Industry

Basic Provisions on the Construction Design Industry

The Construction Law of the PRC (中華人民共和國建築法) promulgated by the Standing Committee of the National People’s Congress on 1 November 1997 and amended on April 22, 2011 regulates and prescribes an administrative framework of construction design industry. Pursuant to the Construction Law of the PRC, the registered capital, professional technicians and equipment of the design units engaged in construction activities shall meet the requirements stipulated by laws and administrative regulations. Only when the design entities obtained appropriate qualification certificate may they engage in construction activities commensurate to the scope of their qualification. The Construction Law of the PRC also provides that the professional technicians engaged in construction activities shall obtain relevant qualification certificates and engage in construction activities within the scope of their qualification certificates.

Construction Engineering Design Qualification

According to the Regulations on Management of Construction Engineering Reconnaissance and Design Qualification (建設工程勘察設計資質管理規定) (“**Regulations on Qualification Management**”), which was promulgated by the Ministry of Construction on 26 June 2007 and became effective on 1 September 2007, the construction engineering design qualification was divided into integrated qualification for design of construction projects (“integrated engineering design qualification”), industrial qualification for design of construction projects (“industry-specific engineering design qualification”), specialist qualification for design of construction projects (“specialist engineering design qualification”) and specific item qualification for design of construction projects (“specific item engineering design qualification”). Grade A is the only grade for integrated engineering design qualification; while the grades of industry-specific engineering design qualification, specialist engineering design qualification and industry-specific engineering design qualification are divided into Grade A and Grade B. Some industry-specific engineering design qualifications, specialist engineering design qualifications and specific item design qualifications may have Grade C and specialist engineering design qualification may have Grade D based on the nature and technical features of the construction engineering.

The Regulations on Qualification Management further provides that enterprises with integrated engineering design qualification may undertake construction design business of all grades in all industries; enterprises with industry-specific engineering design qualification may undertake construction engineering design business of its corresponding grades in its corresponding industry and may undertake specialist engineering or specific item design business of the same grade of its industry-specific engineering design qualification (except for the design-construction integration qualification); enterprises with specific item engineering design qualification may undertake construction design business of its corresponding grade in its specialized field.

According to the Regulations on Qualification Management, a design qualification shall be deregistered and the qualification licensing authority shall announce the invalidity of such certificate under any of the following circumstances: (i) the term of validity of the design qualification certificate has expired and no renewal application is filed in accordance with laws; (ii) the enterprise terminates in accordance with laws; (iii) the qualification certificate has been revoked, withdrawn or suspended in accordance with laws; or (iv) other circumstances as specified by laws or regulations.

The Ministry of Construction promulgated the Circular concerning the Issuance of the Construction Design Qualification Standards (關於印發《工程設計資質標準》的通知) (“**Circular on Design Qualification Standards**”) on March 29, 2007 to enumerate all 21 industries relating to the construction design business, such as construction industry, water conservation industry, railway industry, metallurgy industry, and etc. The Circular on Design Qualification Standards further elaborates the difference among construction design qualifications of different grades. Take the

industry-specific engineering design qualifications as an example, the industry-specific engineering design qualifications are divided into three grades — Grade A, Grade B and Grade C. The standards for applying for a Grade A industry-specific engineering design qualification are higher than that of a Grade B industry-specific engineering design qualification. To apply for a Grade A industry-specific engineering design qualification, the enterprise shall have larger amount of registered capital, more experienced technicians, and more relevant design experience than an enterprise with Grade B industry-specific engineering design qualification. As for the business scope, an enterprise with Grade B industry-specific engineering design qualification may only undertake the construction design business of medium and small projects in its industry; while an enterprise with Grade A industry-specific engineering design qualification may undertake any construction design business in its industry. Similarly, the application standards of specialist engineering design qualifications of higher grades are higher than those of lower grades and the business scopes of specialist engineering design qualifications of higher grades are wider than those of lower grades. Although the application standards and business scope of specific item engineering design qualifications are not stipulated in the Circular on Design Qualification Standards, but stipulated in specific regulations concerning such specific item engineering design qualifications, the differences among different grades of specific item engineering design qualifications are similar with those of industry-specific engineering design qualifications and specialist engineering design qualifications.

The Circular on Design Qualification Standards further stipulates the scope of architectural design services, which includes but not limited to building and structural design, outdoor engineering design, underground engineering design for residential building, design for small residential area and surrounding area of the industrial area and living area within the industrial area, planning design for small area, and simplex design. The design content and/or the relevant specialties involved in the above architectural services include but not limited to general layout planning, vertical design, design for various pipe networks and pipelines, landscape design, indoor and outdoor environmental design, building decoration, road network, fire services, intelligence, security, communications, lightning prevention, civil air defense, power supply and distribution, lighting, waste water treatment, air-conditioning facilities and earthquake resistance reinforcement.

According to the Circular on Design Qualification Standards, the major conditions of application for Grade A Qualification are as follows^(note 1):

No. Conditions

1. Status of a legal person as an enterprise.
2. Good reputation in society.
3. More than RMB3 million registered capital.

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4. More than 3 registered type I architects.
5. Having completed at least 1 large scale architectural design project or at least 2 medium scale architectural design projects as specified by relevant PRC regulations.
6. The main technical director or chief engineer of the enterprise shall have a bachelor's degree or above, be with more than 10 years of architectural design experience, be with the design experience of more than 2 large scale architectural projects as specified by relevant PRC regulations as technical director of such projects, and have registered qualification or relevant professional titles.
7. The non-registered staff of the enterprise shall have completed at least 3 medium or large scale architectural design projects, among which at least one is a large scale project, as specified by relevant PRC regulations as technical director of such projects.

As for the application procedures of Grade A Qualification, different provinces in the PRC may have different practices. Considering LWK Yiheng is a Grade A Qualification enterprise in Shenzhen City of Guangdong Province, we take the application procedures in Guangdong Province as an illustration.

No. Application procedure (normal duration)

1. Filing the online application form and obtaining the adoption of the online filing.
2. Verification of the application materials by the Housing and Construction Bureau of Shenzhen Municipality.
3. Preliminary approval by the Administrative License Management Office of the Department of Housing and Urban-Rural Development of Guangdong Province (around 20 business days from the date of acceptance of the application, may extend 10 business days subject to relevant official's approval).
4. Approval by MOHURD (around 20 business days from the date of acceptance of the preliminary approval opinion and all application materials, may extend 10 business days subject to relevant Minister's approval)^(note 2).

Notes:

- (1) LWK Yiheng obtained the Grade A Qualification prior to the promulgation of the Circular on Design Qualification Standards. According to the Circular concerning the Issuance of the Implementation Opinions on the Regulations on Management of Construction Engineering Reconnaissance and Design Qualification promulgated by the Ministry of Construction and effective on 21 August 2008, the

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enterprises which obtained engineering design qualifications prior to the enforcement of the Circular on Design Qualification Standards can replace their qualification certificates for new equivalent qualification certificates with a valid period for five years prior to 31 March 2010. LWK Yiheng renewed its Grade A Qualification in accordance with the aforementioned regulations in 12 March 2010. Please refer to the paragraph below specifying the Circular concerning the Issuance of the Implementation Opinions on the Regulations on Management of Construction Engineering Reconnaissance and Design Qualification in this section.

- (2) Such duration may extend another 20 business days if departmental assessment is required, and may extend another 20 business days if expert assessment is required.

According to the Administrative Regulations for Construction Engineering Reconnaissance and Design Qualification (建設工程勘察設計管理條例), which was promulgated by the State Council and became effective on 25 September 2000, construction engineering design entities are prohibited from engaging in design business beyond the scope of their grade of qualification or in the name of other design entities, and from permitting other entities or individuals to undertake construction design business in their own names. Otherwise, the competent authorities shall have the power to order such design entities to stop the illegal act; impose a fine which is more than one time but less than two times of the design fee stipulated in the contract; and confiscate the illegal income, if any. In addition, the competent authorities shall have the power to order such design entities to suspend business for rectification, to reduce their grade of qualification, or even to revoke their qualification certificates if the circumstance involved is serious. Where an entity engages in design business without possessing a design qualification, the competent authorities shall have the power to ban the projects and impose a fine which is more than one time but less than two times of the design fee stipulated in the contract; and confiscate the illegal income, if any.

According to the Circular concerning the Issuance of the Implementation Opinions on the Regulations on Management of Construction Engineering Reconnaissance and Design Qualification (關於印發《建設工程勘察設計資質管理規定實施意見》的通知) (“Implementation Opinions on Design Qualification Management”) promulgated by the Ministry of Construction and effective on 21 August 2007, after the reorganisation or merger, the construction engineering design enterprise may inherit the higher grade and scope of design qualification which the former party or parties possessed. The Implementation Opinions on Design Qualification further provides that the enterprises with industry-specific engineering design qualifications, partial industry-specific engineering design qualifications or professional business office qualifications (except for interim grade) can replace their qualification certificates for new equivalent qualification certificates with a valid period for five years prior to 31 March 2010 as long as such enterprises meet the basic requirements specified in the Regulations on Qualification Management.

The Implementation Opinions on Design Qualification Management also specifies the business scope of enterprises with different design qualifications. An enterprise with comprehensive design qualification may engage in construction design business, construction project management and related technical services, consulting and management services of all industries. An enterprise with industry-specific engineering design qualification, specialist engineering design qualification or specific item design qualification may engage in construction design business, general contracting of construction projects, construction project management and related technical services, consulting and management services in the scope permitted by their design qualifications.

Regulations on Foreign-invested Construction Engineering Design Enterprises

The Administrative Regulations on Foreign-invested Construction Engineering Design Enterprises (外商投資建設工程設計企業管理規定) (“Regulations on Foreign-invested Design Enterprises”), which was jointly promulgated by the Ministry of Foreign Trade and Economic Cooperation and the Ministry of Construction on 27 September 2002 and became effective on 1 December 2002, is the basic regulation relating to foreign-invested construction engineering design enterprise in the PRC. It provides that, in order to engage in construction engineering design activities in the PRC, foreign-invested construction engineering design enterprises shall obtain the certificate of approval for establishment of foreign-invested enterprise from competent foreign trade and economic administrative authority, register with competent industry and commerce administrative authority and obtain the qualification certificate for construction engineering design enterprise from competent construction administrative authority,

According to the Regulations on Foreign-invested Design Enterprises, the foreign trade and economic department under the State Council shall be responsible for the approval of the establishment of foreign-invested construction engineering design enterprises applying for Grade A construction engineering design qualification or Grade A or Grade B qualification for design of other construction projects; and the construction department under the State Council shall be responsible for the approval of the above-mentioned qualifications. The provincial foreign trade and economic department shall be responsible for the approval of the establishment of foreign-invested construction engineering design enterprises applying for other construction engineering design qualifications and the provincial construction department shall be responsible for the approval of the design qualifications of such enterprises. The Circular on Entrusting the Provincial Departments of Commerce with the Examination and Administration of Foreign-invested Construction Engineering Design Enterprises (關於委託省級商務主管部門審核管理外商投資建設工程設計企業的通知), which was promulgated by the Ministry of Commerce on 22 January 2006 and became effective on 31 March 2006, further provides that the provincial departments of commerce and the management committees of national economic and technological development zones are entrusted to examine and administer the foreign-invested construction engineering design enterprises.

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The Regulations on Foreign-invested Design Enterprises further provides that, as for a wholly foreign-owned construction engineering design enterprise, the number of its foreign service providers who are registered architects or engineers in the PRC shall constitute at least 1/4 of its total number of registered professionals as required by the grading criteria of its qualification; and the number of its foreign service providers with relevant design experience shall constitute at least 1/4 of its total number of its backbone technicians as required by the grading criteria of its qualification. As for a Chinese-foreign joint venture or a Chinese-foreign cooperative enterprise, the number of its foreign service providers who are registered architects or engineers in the PRC shall constitute at least 1/8 of its total number of registered professionals as required by the grading criteria of its qualification; and the number of its foreign service providers with relevant design experience shall constitute at least one-eighth of its total number of its backbone technicians as required by the grading criteria of its qualification. Moreover, the Regulations on Foreign-invested Design Enterprises provides that, as for a foreign-invested construction engineering design enterprise, each of its foreign service providers who are qualified as registered architects or engineers in the PRC and its backbone technicians shall live within the territory of the PRC for no less than six months accumulatively per year.

However, the Circular concerning Issuance of the Implementation Rules to the Administrative Regulations on Foreign-invested Construction Engineering Design Enterprises (關於印發《外商投資建設工程設計企業管理規定實施細則》的通知) (“**Implementation Rules for Foreign-invested Design Enterprises**”) which was promulgated by the Ministry of Construction and the Ministry of Commerce and effective on 5 January 2007 relaxed some of the restrictions specified in the Regulations on Foreign-invested Design Enterprises. According to the Implementation Rules for Foreign-invested Design Enterprises, foreign-invested construction engineering design enterprises temporarily unable to meet the requirements for the number of foreign service providers who are qualified as registered architects or engineers in the PRC as prescribed in the Regulations on Foreign-invested Design Enterprises may employ Chinese registered architects or engineers so as to meet such requirements. Where there is any requirement in the Regulations on Foreign-invested Design Enterprises in relation to the number of foreign service providers with relevant professional design experience, the foreign-invested construction engineering design enterprise may employ professional technicians with Chinese nationality to meet such requirement. Where a foreign service provider is tentatively unable to meet the residence requirement as set forth in the Regulations on Foreign-invested Design Enterprises, this requirement may be waived. In addition, a foreign-invested construction engineering design enterprise is not allowed to apply for the design qualifications for certain special industries, sectors or specialist fields concerning Chinese national security and confidentiality, etc.

According to the Order concerning the Promulgation of the Supplementary Provisions of the Provisions on the Administration of Foreign-funded Construction Engineering Design Enterprises (關於發佈《外商投資建設工程設計企業管理規定》的補充規定的命令) which was jointly promulgated by the Ministry of Construction and

the Ministry of Commerce on 19 December 2003 and became effective on 1 January 2004, service providers from Hong Kong or Macau may establish wholly-owned construction engineering design enterprises in the Mainland as of 1 January 2004. In addition, the establishment and qualification application of such construction engineering design enterprises shall comply with the Regulations on Foreign-invested Design Enterprises and relevant regulations governing the management of qualifications of construction engineering design enterprises.

According to the Circular on Issues concerning the Application of Specific Design Qualification of Foreign Wholly-owned Construction Design Consulting Enterprises or Institutes (建設部關於國外獨資工程設計諮詢企業或機構申報專項工程設計資質有關問題的通知) (“**Circular on Application of Specific Design Qualification**”), which was promulgated by the Ministry of Construction and became effective on 29 March 2000, foreign wholly-owned construction design consulting enterprises or institutes are allowed to involve in the architectural consulting service in respect of specific design of the integrated system for construction intelligence, specific design of construction decoration and specific design of environmental engineering in the PRC.

According to the Tentative Regulations on the Administration of Foreign Enterprises Engaged in Construction Engineering Design Activities within the People’s Republic of China (關於外國企業在中華人民共和國境內從事建設工程設計活動的管理暫行規定), which was promulgated by the Ministry of Construction on 10 May 2004 and became effective on 10 June 2004, any foreign enterprise is allowed to engage in the design activities prior to the preliminary design and the design of construction documentation. In order to engage in preliminary design and design of construction documentation of construction engineering design activities within the People’s Republic of China, a foreign enterprise shall cooperate with at least one Chinese design enterprise with construction engineering design qualification to carry out Sino-foreign cooperative design activities and can only undertake construction engineering design activities within the scope permitted by the design qualification of the Chinese design enterprise.

B. Other Laws and Regulations

Regulations on Foreign Investment

According to the Provisions on Guiding Foreign Investment Direction (指導外商投資方向規定), which was promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002, foreign-invested projects fall into four categories, namely encouraged, permitted, restricted and prohibited projects. Foreign investment projects that are categorized as encouraged, restricted, and prohibited are listed under the Catalogue for the Guidance of Foreign Investment Industries. Those foreign-invested projects that are not categorized as encouraged, restricted, and prohibited are permitted foreign-invested projects. On 24 December 2011 the Ministry of Commerce and NDRC jointly promulgated the current Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (“Catalogue”), which became effective on 30 January 2012. The construction design

business is not listed in the Catalogue, which means foreign investment is permitted in the construction design industry in the PRC.

Regulations on Overseas Listings

On 8 August 2006, six PRC regulatory authorities, namely the Ministry of Commerce, the State Assets Supervision and Administration Commission, the SAT, SAIC, CSRC and SAFE, jointly promulgated the M&A Rules, which became effective on 8 September 2006 and amended by Ministry of Commerce on 22 June 2009, to regulate foreign investment in PRC domestic enterprises. The M&A Rules contain provisions purporting, among other things, to require a domestic company, enterprise or individual intends to takeover its/his/her affiliated domestic company in the name of an offshore company which it/he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce. The M&A Rules further provide that where a domestic individual holds equity interest in a domestic company through an offshore special purpose company (“SPV”), the overseas listing of that SPV shall be subject to approval by the CSRC.

Regulations on Foreign Exchange Controls

The Foreign Exchange Administrative Regulations of the PRC (中華人民共和國外匯管理條例) (“**Foreign Exchange Regulations**”) promulgated by the State Council on 29 January 1996, effective on 1 April 1996 and amended on 5 August 2008 forms an important legal basis for foreign exchange supervision in the PRC. Under the Foreign Exchange Regulations, the foreign exchange income in the capital accounts of domestic enterprises shall be deposited, in accordance with relevant State regulations, into foreign exchange accounts opened with banks designated. Any foreign exchange payment from capital account shall, in accordance with provisions enacted by State Council foreign exchange administrative department relating to foreign exchange payments and purchases, be made out of the payer’s own foreign exchange funds on the strength of valid documents or be made with foreign exchange purchased from any financial institution engaged in foreign exchange settlement and sales business. Where an approval from the relevant foreign exchange administrative authority is required in accordance with State provisions, the relevant approval formalities shall be completed before the foreign exchange payment is made. For foreign-invested enterprises wound up in accordance with the relevant laws, the amount of RMB that belongs to the relevant foreign investor(s) after liquidation and payment of tax pursuant to relevant State provisions may be used to purchase foreign exchange from any financial institution engaged in foreign exchange settlement and sales business in order to remit it outside the PRC.

On 29 August 2008, the SAFE promulgated the Circular of Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (“**Circular 142**”), a circular regulating the conversion by foreign invested enterprises of foreign

currency into RMB. Circular 142 requires that the RMB funds obtained from the settlement of foreign currency-denominated registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless otherwise provided for in the enterprise's business scope. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise. The use of such RMB capital may not be altered without SAFE's approval, and may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of Circular 142 will result in severe penalties, such as substantial fines.

On 21 October 2005, the SAFE promulgated the Circular on Issues concerning the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("SAFE Circular 75") effective on 1 November 2005 and further supplemented by an implementing notice promulgated by the SAFE on 24 November 2005. SAFE Circular 75 states that Chinese residents, whether natural or legal persons, must register with the relevant local SAFE branch prior to establishing or taking control of an offshore entity established for the purpose of overseas equity financing involving onshore assets or equity interests held by them. In 2009 and 2011, the SAFE issued an internal notice to its local branches on the operating rules with respect to the administration of foreign exchange under capital accounts. This internal notice provides for detailed operating processes and specific instructions for the SAFE registration under SAFE Circular 75.

The term "Chinese legal person residents" as used in the SAFE Circular 75 refers to those entities with legal person status or other economic organisations established within the territory of the PRC. The term "Chinese natural person residents" as used in the SAFE Circular 75 includes all Chinese citizens and all other natural persons, including foreigners, who habitually reside in the PRC for economic benefit. Chinese residents are required to complete amended registrations with the local SAFE branch upon (i) transfer of equity interests or assets of an onshore enterprise to the offshore entity, or (ii) subsequent overseas equity financing by such offshore entity. Chinese residents are also required to complete amended registrations or filing with the local SAFE branch within 30 days of any material change in the shareholding or capital of the offshore entity, such as changes in share capital, share transfers and long-term equity or debt investments, and provision of security. Chinese residents who have already incorporated or gained control of offshore entities that have made onshore investment in the PRC before SAFE Circular 75 was promulgated must register their shareholding in the offshore entities with the local SAFE branch on or before 31 March 2006.

Under SAFE Circular 75, Chinese residents are further required to repatriate back into the PRC all of their dividends, profits or capital gains obtained from their shareholdings in the offshore entity within 180 days of their receipt of such dividends, profits or capital gains. The registration and filing procedures under

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SAFE Circular 75 are prerequisites for other approval and registration procedures necessary for capital inflow from the offshore entity, such as inbound investments or shareholder loans, or capital outflow to the offshore entity, such as the payment of profits or dividends, liquidating distributions, equity sale proceeds, or the return of funds upon a capital reduction.

Regulation on Taxation

Enterprise Income Tax

According to the EIT Law promulgated by the National People's Congress on 16 March 2007 and effective on 1 January 2008 and its implementing rules promulgated by the State Council on 6 December 2007 and effective on 1 January 2008, the enterprise income tax for both domestic and foreign-invested enterprises is unified at 25%. Under the EIT Law, enterprises are classified as "resident enterprises" and "non-resident enterprises". Pursuant to the EIT Law and its Implementing Rules, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located in China are considered resident enterprises and will generally be subject to enterprise income tax at the rate of 25% on its global income. The implementing rules of the EIT Law define "de facto management bodies" as "establishments that carry out substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. If we are considered as a PRC tax resident enterprise under the above definition, then our global income will be subject to PRC enterprise income tax at the rate of 25%.

Value-added Tax

In accordance with the Provisional Regulations of the People's Republic of China concerning Value Added Tax (中華人民共和國增值稅暫行條例) promulgated by the State Council and effective on 1 January 2009 and the Rules for Implementation of the Provisional Regulations of the People's Republic of China concerning Value Added Tax (中華人民共和國增值稅暫行條例實施細則) promulgated by the Ministry of Finance on 18 December 2008, effective on 1 January 2009 and amended on 28 October 2011, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

Regulations on Employee Stock Option Plans

On 25 December 2006, the People's Bank of China promulgated the Administrative Measures for Individual Foreign Exchange (個人外匯管理辦法). On 5 January 2007, SAFE promulgated the Implementation Rules of the Administrative Measures for Individual Foreign Exchange (個人外匯管理辦法實施細則) ("Individual Foreign Exchange Rules") which, among other things, specifies approval requirements for a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company. In February 2012, SAFE promulgated the Notices on Issues concerning the Foreign Exchange

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Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (“**Stock Option Rules**”), which terminated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plan and Stock Option Plan of Overseas Publicly-Listed Company (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) promulgated by SAFE in March 2007. According to the Stock Option Rules, if a PRC resident participates in any stock incentive plan of an overseas publicly-listed company, a qualified PRC domestic agent must, among other things, file on behalf of such participant an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the exercise or sale of stock options or stock such participant holds. Such participating PRC residents’ foreign exchange income received from the sale of stock and dividends distributed by the overseas publicly-listed company must be fully remitted into a PRC collective foreign currency account opened and managed by the PRC agent before distribution to such participants.

Regulations on Labor and Social Insurance

Labor Contract Law

As of 1 January 2008, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers under the Labor Contract Law of the PRC (中華人民共和國勞動合同法) (“**Labor Contract Law**”). Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and the employers shall pay laborers overtime working compensation in accordance with national regulations. In addition, the labor wages shall not be lower than local standards on minimum wages and shall be paid to the laborers timely. According to the Labor Law of the PRC (中華人民共和國勞動法) promulgated by the Standing Committee of the National People’s Congress on 5 July 1994 and effective on 1 January 1995, enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by state rules and standards on work place safety and sanitation, educate laborers of work place safety and sanitation. Work place safety and sanitation facilities shall comply with state-fixed standards. The enterprises and institutions shall provide laborers with work place safety and sanitation conditions which are in compliance with state stipulations and relevant articles of labor protection.

Social Insurance and housing funds

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) promulgated by the Standing Committee of the National People’s Congress on 28 October 2010 and effective on 1 July 2011, the Interim Regulations concerning the Levy of Social Insurance (社會保險費徵繳暫行條例) promulgated by the State Council and effective on 22 January 1999, the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法)

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promulgated and effective on 19 March 1999, the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated by the State Council on 27 April 2003 and effective on 1 January 2004 and amended on 20 December 2010, the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) promulgated by the Ministry of Labor and Social Security on 14 December 1994 and effective on 1 January 1995 and the Regulations concerning the Administration of Housing Fund (住房公積金管理條例) promulgated by the State Council and effective on 3 April 1999 and amended on 24 March 2002, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as housing fund and other welfare plans.

LISTING ON THE STOCK EXCHANGE

As to the best of the knowledge, information and belief of our Directors and as advised by our legal advisers as to Hong Kong laws and our PRC Legal Advisers, there are no express or implied provisions under the Hong Kong and PRC laws and the rules, regulations and guidelines from the relevant professional bodies, including the HKIA, HKILA and HKIP, to which our Group is subject to that may preclude our Company from becoming publicly listed company on the Stock Exchange or may otherwise invalidate the major licences/qualifications that are considered critical to our Group's operations once our Company becomes listed.

HISTORY, REORGANISATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT

Corporate development

We are a comprehensive architectural service provider in Hong Kong and the PRC. Our history can be traced back to 1985 when our founder, Mr. Liang, established Liang Wong Kou & Partners HK, an unlimited company in the area of architectural practice in Hong Kong. LWK Hong Kong was incorporated in Hong Kong as a limited liability company under the Companies Ordinance on 19 October 1995.

With a view to entering the PRC market, we established our first PRC office in Shenzhen in 2002. We further extended our scope of service in the PRC in 2011 by acquiring a majority equity interest in LWK Yiheng which holds the Grade A Qualification.

Pre-IPO investment

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 (the “Share Transfer”). Details of the Reorganisation are set out in the paragraph headed “A. Further Information about our Company — 4. Corporate Reorganisation” in Appendix IV to this prospectus.

Details of the acquisition by Mr. Wang pursuant to the Share Transfer are as follows:

Name of investor	:	Wang Jun You
Number of shares in LWK Hong Kong acquired by the investor	:	113,300 shares
Total consideration	:	HK\$8,280,000
Date of investment	:	10 June 2013
Payment date	:	5 June 2013
Number of Shares held by the investor upon the Listing (<i>Note 1</i>)	:	15,300,000 Shares
Percentage of shareholding of the investor upon the Listing (<i>Note 1</i>)	:	8.50%
Effective purchase cost per Share (approximately)	:	HK\$0.54
Discount to the Placing Price (approximately) (<i>Note 2</i>)	:	32.5%

HISTORY, REORGANISATION AND GROUP STRUCTURE

Notes:

1. Upon completion of the Reorganisation, these Shares will be registered in the name of Jun Ming, the entire issued share capital of which is legally and beneficially owned by Mr. Wang.
2. On the basis that the Placing Price is HK\$0.80 (being the mid-point of the indicative range of the Placing Price).

Mr. Wang is not entitled to any special rights or privileges in connection with his investment in LWK Hong Kong.

Mr. Wang is a director of and a shareholder holding 1% equity interest in LWK Yiheng, an indirect non wholly-owned subsidiary of our Company. Mr. Wang and/or through Jun Ming has not been involved in any investment or dealings with our Group and/or any connected persons of our Company save for the acquisition of 24% equity interest of LWK Yiheng from Mr. Wang by LWK Hong Kong, the Share Transfer and the arrangement under the Reorganisation. Mr. Wang (including Jun Ming) invested in us because Mr. Wang was attracted by our growth potential and prospects as a group. Mr. Wang has over 25 years of experience in the architectural service industry in the PRC. Our Directors are of the view that the pre-IPO investment will enhance our development in the architectural service industry in the PRC and broaden our Shareholders' base, which in turn will benefit our Company and our Shareholders as a whole.

The consideration of Mr. Wang's investment in LWK Hong Kong was arrived after arm's length negotiation between Mr. Liang, Mr. Fu and Mr. Wang with reference to, among other things, the pricing of recent pre-IPO investments in GEM companies, the equity risks assumed by Mr. Wang in investing in an unlisted company and Mr. Wang's experience in the architectural service industry in the PRC. Our Directors believe that by leveraging on Mr. Wang's expertise and network in the architectural service industry in the PRC, new contacts and potential business opportunities would be brought along by Mr. Wang which in turn will be helpful to our Group.

The Share Transfer was properly and legally completed and settled.

The Shares held by Jun Ming are not subject to any lock-up after the Listing Date and are not considered as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules.

Our Directors confirmed that the Share Transfer between each of Mr. Liang and Mr. Fu, and Mr. Wang was entered into on normal commercial terms.

The Sponsor confirmed that the pre-IPO investments as detailed above was in compliance with the interim guidance on Pre-IPO Investments of 13 October 2010 as the above investment has been completed at least 28 clear days before the date of the first submission of the listing application.

HISTORY, REORGANISATION AND GROUP STRUCTURE

BUSINESS MILESTONES

Several important milestone events in our history are set out below:

Year	Event
October 1985	Liang Wong Kou & Partners HK was formed.
October 1995	LWK Hong Kong was incorporated.
September 2002	LWK Shenzhen was established.
June 2006	LWK Conservation was incorporated.
April 2011	LWK Hong Kong acquired 75% of the equity interest in LWK Yiheng, a design institute with the Grade A Qualification since 1993.
November 2012	LWK Guangzhou was established.
August 2013	LWK Hong Kong further acquired 24% of the equity interest in LWK Yiheng.

CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 13 May 2013. Our Company has a number of wholly-owned subsidiaries incorporated or established in Hong Kong, the PRC and Macau. Details of our subsidiaries and their respective corporate history are set out below.

OUR SUBSIDIARIES

Helfrich Ventures (*BVI*)

Helfrich Ventures was incorporated in the BVI with limited liability on 15 January 2013 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 13 May 2013, one fully paid ordinary share, representing the entire issued share capital of Helfrich Ventures, was allotted and issued to our Company at par. After the aforesaid allotment, Helfrich Ventures becomes a direct wholly-owned subsidiary of our Company.

Helfrich Ventures is an investment holding company and it did not and had not carried on any business activities during the Track Record Period and up to the Latest Practicable Date.

LWK Hong Kong (*Hong Kong*)

LWK Hong Kong was incorporated in Hong Kong as a limited liability company under the Companies Ordinance on 19 October 1995, with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, by two Independent Third Parties (the “**Subscribers**”) each subscribed one share of LWK Hong Kong.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 8 February 1996, 9,996 shares, one share and one share of LWK Hong Kong were allotted and issued to Mr. Liang, Mr. Fu and Mr. Lee Wai Ming at par, respectively. Mr. Lee Wai Ming was an associate director of LWK Hong Kong at the material time. On 6 March 1996, the Subscribers transferred one share of LWK Hong Kong each to Mr. Liang and Ms. Liang at par, who held the one share on trust for Mr. Liang since 6 March 1996 by a confirmatory declaration of trust. After the aforesaid allotment and transfer, LWK Hong Kong was beneficially owned as to 9,998 shares, one share and one share by Mr. Liang, Mr. Fu and Mr. Lee Wai Ming, respectively.

On 28 December 1998, pursuant to a resolution passed by the shareholders of LWK Hong Kong, it was resolved that the authorised share capital of LWK Hong Kong be increased from HK\$10,000 divided into 10,000 shares of HK\$1.00 each to HK\$5,000,000 divided into 5,000,000 shares of HK\$1.00 each. On the same day, 990,000 shares of LWK Hong Kong were allotted and issued to Mr. Liang. After the aforesaid allotment, LWK Hong Kong was beneficially owned as to 999,998 shares, one share and one share by Mr. Liang, Mr. Fu and Mr. Lee Wai Ming, respectively.

On 12 April 2000, Mr. Lee Wai Ming transferred one share to Mr. Liang for a consideration of HK\$1.00. After the aforesaid transfer, LWK Hong Kong was beneficially owned as to 999,999 shares and one share by Mr. Liang and Mr. Fu, respectively.

On 26 September 2002, Mr. Liang transferred 149,999 shares and 150,000 shares to Mr. Fu and Mr. Leung Woon Tim Moses, respectively, for a consideration of HK\$149,999 and HK\$150,000, respectively. After the aforesaid transfer, LWK Hong Kong was beneficially owned as to 700,000 shares, 150,000 shares and 150,000 shares by Mr. Liang, Mr. Fu and Mr. Leung Woon Tim Moses, respectively. Mr. Leung Woon Tim, Moses was a former director of LWK Hong Kong.

On 22 August 2006, Mr. Liang transferred 50,000 shares of LWK Hong Kong to Mr. Fu for a consideration of HK\$50,000. After the aforesaid transfer, LWK Hong Kong was beneficially owned as to 650,000 shares, 200,000 shares and 150,000 shares by Mr. Liang, Mr. Fu and Mr. Leung Woon Tim Moses, respectively.

On 14 February 2007, Mr. Leung Woon Tim Moses, due to his resignation from the post of director of LWK Hong Kong, transferred 150,000 shares of LWK Hong Kong to Rich World for a consideration of HK\$2,350,000, with reference to, among other things, his remuneration package and contribution during his tenure of service as agreed by the parties. After the aforesaid transfer, LWK Hong Kong was beneficially owned as to 650,000 shares, 200,000 shares and 150,000 shares by Mr. Liang, Mr. Fu and Rich World, respectively.

On 31 July 2007, Rich World transferred 50,000 shares of LWK Hong Kong to Mr. Fu for a consideration of HK\$783,300, with reference to the consideration of share transfer between Rich World and Mr. Leung Woon Tim Moses on 14 February 2007. After the aforesaid transfer, LWK Hong Kong was beneficially owned as to 650,000 shares, 250,000 shares and 100,000 shares by Mr. Liang, Mr. Fu and Rich World, respectively.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 7 February 2012, Rich World transferred 30,000 shares of LWK Hong Kong to Mr. Fu for a consideration of HK\$30,000. After the aforesaid transfer, LWK Hong Kong was beneficially owned as to 650,000 shares, 280,000 shares and 70,000 shares by Mr. Liang, Mr. Fu and Rich World, respectively.

On 10 June 2013, Mr. Liang and Mr. Fu transferred 79,310 shares and 33,990 shares of LWK Hong Kong, respectively to Mr. Wang for a consideration of HK\$5,796,000 and HK\$2,484,000, respectively, details of which are set out in the paragraph headed “History and Development — Pre-IPO Investment” above in this section. After the aforesaid transfer, LWK Hong Kong was beneficially owned as to 570,690 shares, 246,010 shares, 113,300 shares and 70,000 shares by Mr. Liang, Mr. Fu, Mr. Wang and Rich World, respectively.

On 26 June 2013, Ms. Liang who held the one share of LWK Hong Kong on trust for Mr. Liang, transferred one share of LWK Hong Kong to Mr. Liang at nil consideration. After the aforesaid transfer, Ms. Liang ceased to have any legal interest in LWK Hong Kong.

Each of the abovementioned transfer was properly and legally completed and settled.

As part of the Reorganisation, on 5 December 2013, the Share Swap Agreement was entered into between Mr. Liang, Mr. Fu, Mr. Wang, and Rich World, as transferors (the “**Transferors**”), our Company as transferee and Helffrich Ventures, the Transferors agreed to transfer the entire issued share capital in LWK Hong Kong to the our Company (to be held through our wholly-owned subsidiary Helffrich Ventures) in consideration of and in exchange for 21,355,999 Shares to Rainbow Path, 10,313,200 Shares to Vivid Colour, 4,305,400 Shares to Jun Ming, and 2,025,400 Shares to Veteran Ventures credited as fully paid.

LWK Conservation (*Hong Kong*)

LWK Conservation was incorporated in Hong Kong with limited liability on 12 June 2006 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, by one Independent Third Party (the “**Subscriber**”) subscribing one share of LWK Conservation.

On 4 August 2006, the Subscriber transferred one share of LWK Conservation to Ms. Chung Wai Chi, Connie for a consideration of HK\$1.00. After the aforesaid transfer, Ms. Chung Wai Chi, Connie owned the entire issued share capital of LWK Conservation. Ms. Chung Wai Chi, Connie was a former director of LWK Conservation and she is the spouse of Mr. Fu.

On 27 September 2010, 599 shares and 400 shares of LWK Conservation were allotted and issued to LWK Hong Kong and Mr. Lee Chung Ming Eric (“**Mr. Lee**”) at par. After the aforesaid allotment, LWK Conservation was beneficially owned as to one share, 599 shares and 400 shares by Ms. Chung Wai Chi, Connie, LWK Hong Kong and Mr. Lee, respectively. Mr. Lee is currently a director of LWK Conservation and he is an architect specialised in

HISTORY, REORGANISATION AND GROUP STRUCTURE

heritage study and conservation for historic buildings. Mr. Lee is a member of the Chinese Commission for the International Council on Monuments and Sites (中國古蹟遺址保護協會) and the former chairman of the Heritage & Conservation Committee of HKIA. We consider that the introduction of Mr. Lee as shareholder and director of LWK Conservation would complement our business development in heritage conservation taking into account his experience and qualification.

On 29 September 2010, Ms. Chung Wai Chi, Connie transferred one share of LWK Conservation to LWK Hong Kong for a consideration of HK\$1.00. After the aforesaid transfer, LWK Conservation was beneficially owned as to 600 shares and 400 shares by LWK Hong Kong and Mr. Lee, respectively.

On 31 December 2012, in order to streamline our group structure, Mr. Lee transferred 400 shares of LWK Conservation to LWK Hong Kong at par for a consideration of HK\$1.00 each. Such consideration was same as the price of which 400 shares were allotted and issued to Mr. Lee on 27 September 2010. After the aforesaid transfer, LWK Hong Kong owned the entire issued share capital of LWK Conservation.

Each of the abovementioned transfer was properly and legally completed and settled.

LWK Yiheng (PRC)

LWK Yiheng was established on 24 September 1986 in Shatoujiao District, Shenzhen, Guangdong Province, the PRC as a collectively-owned enterprise (全民所有制企業) with a total fund of RMB40,000, and principally engaged in the provision of overall planning of domestic tourist spots, and the architectural and interior design of large to medium scale tourist projects.

Since the establishment of LWK Yiheng, it has undergone the following increase/reduction of registered capital:

- (1) On 8 June 1989, its registered capital was increased from RMB40,000 to RMB270,278.
- (2) On 14 May 1990, its registered capital was increased from RMB270,278 to RMB5.41 million.
- (3) On 1 August 2000, its registered capital was reduced from RMB5.41 million to RMB1.42 million.
- (4) On 12 March 2001, its registered capital was increased from RMB1.42 million to RMB1.8 million.
- (5) On 24 September 2009, its registered capital was increased from RMB1.8 million to RMB3 million.

HISTORY, REORGANISATION AND GROUP STRUCTURE

As at 26 June 2007, the shareholding structure of LWK Yiheng was as follows:

Shareholder	Shareholding of LWK Yiheng (as at 26 June 2007)
Xi Zhen Hua (席振華)	62.95%
Dai Li Ren (戴理人)	16.67%
Chen Xin Nong (陳新農)	6.11%
Han Ping (韓平)	4.44%
Peng Jian Ping (彭建平)	3.61%
Chen Fu Qin (陳福芹)	3.61%
Ye Rong (葉榮)	1.11%
Deng Qiu Wang (鄧球旺)	0.94%
Gao Kai (高凱)	0.56%
	100%
Total	100%

Pursuant to (i) the resolutions of the shareholders of LWK Yiheng dated 27 November 2009 approving the transfer of the entire equity interest in LWK Yiheng to Li Ping (黎萍) and Mr. Wang for a total consideration of RMB3,000,000; (ii) the equity transfer agreement dated 30 November 2009 between Li Ping and Mr. Wang, and Xi Zhen Hua, Dai Li Ren, Chen Xin Nong, Han Ping, Peng Jian Ping, Ye Rong, Gao Kai, Deng Qiu Wang and Chen Fu Qin; and (iii) the memorandum and articles of associations of LWK Yiheng dated 3 December 2009 and signed by Li Ping and Mr. Wang; and the business license of LWK Yiheng date 8 December 2009 and issued by the Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局), the shareholding structure of LWK Yiheng was as follows:

Shareholder	Shareholding of LWK Yiheng (as at 8 December 2009)
Li Ping (黎萍)	75%
Mr. Wang	25%
	100%
Total	100%

HISTORY, REORGANISATION AND GROUP STRUCTURE

Pursuant to (i) the resolutions of the shareholders of LWK Yiheng dated 29 July 2010 and signed by Li Ping and Mr. Wang, approving the transfer of equity interest in LWK Yiheng from Li Ping to LWK Hong Kong for a total consideration of RMB3,667,500; (ii) the equity transfer agreement dated 8 September 2010 and between Li Ping and LWK Hong Kong; (iii) the memorandum and articles of associations dated 9 September 2010 and signed by LWK Hong Kong and Mr. Wang; (iv) the approval given by the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳) for LWK Yiheng to become a sino-foreign joint venture; (v) the certificate of approval for the establishment of an enterprise with investment of Taiwan, Hong Kong, Macau and overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准證書) dated 5 January 2011 and issued by the People's Government of Guangdong Province (廣東省人民政府); (vi) the approval given by the Science, Industry, Trade and Information Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會) dated 13 January 2011 for the transfer of equity interest in LWK Yiheng from Li Ping to LWK Hong Kong and the change of type to sino-foreign joint venture; and (vii) the business license of LWK Yiheng dated 2 April 2011 issued by the Market Supervision Administration of Shenzhen Municipality, LWK Yiheng became a sino-foreign joint venture and the shareholding structure was as follows:

Shareholder	Shareholding of LWK Yiheng (as at 2 April 2011)
LWK Hong Kong	75%
Mr. Wang	25%
Total	100%

Pursuant to (i) the resolutions of the board of directors of LWK Yiheng dated 13 May 2013 and signed by LWK Hong Kong and Mr. Wang, approving the transfer of 24% equity interest in LWK Yiheng from Mr. Wang to LWK Hong Kong for a consideration of RMB2.83 million; (ii) the equity transfer agreement dated 21 June 2013 and between Mr. Wang and LWK Hong Kong; (iii) the joint venture agreement dated 21 June 2013 between Mr. Wang and LWK Hong Kong; (iv) the memorandum and articles of associations dated 21 June 2013 and signed by LWK Hong Kong and Mr. Wang; (v) the approval given by the Department of Foreign Trade and Economic Cooperation of Guangdong Province date 31 July 2013 for the transfer of 24% equity interest in LWK Yiheng from Mr. Wang to LWK Hong Kong; (vi) the approval given by the Economy, Trade and Information Commission of Shenzhen (深圳市經濟貿易和信息化委員會) dated 20 August 2013 for the transfer of 24% equity interest in LWK Yiheng from Mr. Wang to LWK Hong Kong; and (vii) the business

HISTORY, REORGANISATION AND GROUP STRUCTURE

licence of LWK Yiheng dated 28 August 2013 issued by the Market Supervision Administration of Shenzhen, the shareholding structure of LWK Yiheng was as follows:

Shareholder	Shareholding of LWK Yiheng (as at 28 August 2013)
LWK Hong Kong	99%
Mr. Wang	1%
	<hr/>
	100%

To the best of the knowledge, information and belief of our Directors, the former shareholders of LWK Yiheng, save and except for Mr. Wang, are Independent Third Parties.

As advised by our PRC Legal Advisers, each of the abovementioned transfers was properly and legally completed and settled, LWK Yiheng had obtained all necessary consent from relevant government authorities before it changed its business type in April 2012, and LWK Yiheng had passed all annual inspections during the process of the re-approval application.

According to the certificate of approval for the establishment of an enterprise with investment of Taiwan, Hong Kong, Macau and overseas Chinese in the PRC dated 13 August 2013 issued by the People's Government of Guangdong, and the legal opinion issued by the PRC Legal Advisers, LWK Yiheng is currently principally engaged in the provision of architectural design and consultancy services under Grade A Qualification in the PRC.

LWK Shenzhen (PRC)

LWK Shenzhen was established on 20 September 2002 in Shenzhen Municipality, Guangdong Province, the PRC as a wholly-foreign-owned enterprise with a registered capital of HK\$1 million which was contributed solely by LWK Hong Kong. LWK Shenzhen is principally engaged in the provision of landscape and environmental design consulting.

On 9 September 2002, the Foreign Trade and Economic Cooperation Bureau of Shenzhen (深圳市對外貿易經濟合作局) approved the establishment of LWK Shenzhen. On 9 September 2002, the People's Government of Shenzhen Municipality (深圳市人民政府) issued the approval certificate for the establishment of LWK Shenzhen.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 20 September 2002, the Administration for Industry and Commerce of Shenzhen Municipality issued a business license to LWK Shenzhen. As confirmed by three capital verification reports issued by a PRC accounting firm on 22 November 2002, 28 August 2003 and 3 September 2003, respectively, the registered capital of LWK Shenzhen of HK\$1 million had been fully paid up by LWK Hong Kong in cash as at 1 September 2003.

LWK Guangzhou (PRC)

LWK Guangzhou was established in Guangzhou, the PRC on 22 November 2012 as a wholly foreign-owned enterprise with a registered capital of RMB3 million which is to be contributed solely by LWK Hong Kong in cash.

On 25 October 2012, the Foreign Trading and Economic Committee of Guangzhou Municipality (廣州市對外貿易經濟合作局) approved the establishment of LWK Guangzhou. On 2 November 2012, the People's Government of Guangzhou Municipality (廣州市人民政府) issued the approval certificate for the establishment of LWK Guangzhou.

On 22 November 2012, the Administration for Industry and Commerce of Guangzhou Municipality (廣州市工商行政管理局) issued a business license to LWK Guangzhou. As confirmed by a capital verification report issued by a PRC accounting firm dated 9 March 2013, 15.65% of the registered capital of LWK Guangzhou of RMB3 million has been paid up by LWK Hong Kong on 28 February 2013. Although the first capital contribution was not made within 90 days after the establishment of LWK Guangzhou as required under the relevant laws of the PRC, the short time of delay in the said capital contribution and LWK Guangzhou has already passed the annual inspection for wholly foreign-owned enterprise (外商投資企業聯合年檢) for 2012. As confirmed by the PRC Legal Advisers, delay in the first capital contribution does not affect the subsistence of LWK Guangzhou.

LWK Macau (Macau)

LWK Macau was established according to the laws of Macau on 9 July 2012 with a share capital of MOP30,000, with Mr. Liang holding one share of nominal value of MOP21,000 and Mr. Fu holding one share of nominal value of MOP9,000. It is mainly engaged in architectural design and business investment in Macau.

On 11 June 2013, Mr. Liang and Mr. Fu transferred their shares in LWK Macau of nominal value of MOP27,000 to LWK Hong Kong at par and of nominal value of MOP3,000 to LWK Conservation at par respectively. After the aforesaid transfer, LWK Hong Kong and LWK Conservation hold 90% and 10% of the share capital of LWK Macau, respectively. The transfer was properly and legally completed and settled as it was registered and approved by the Business Registration Department of Macau on 17 June 2013.

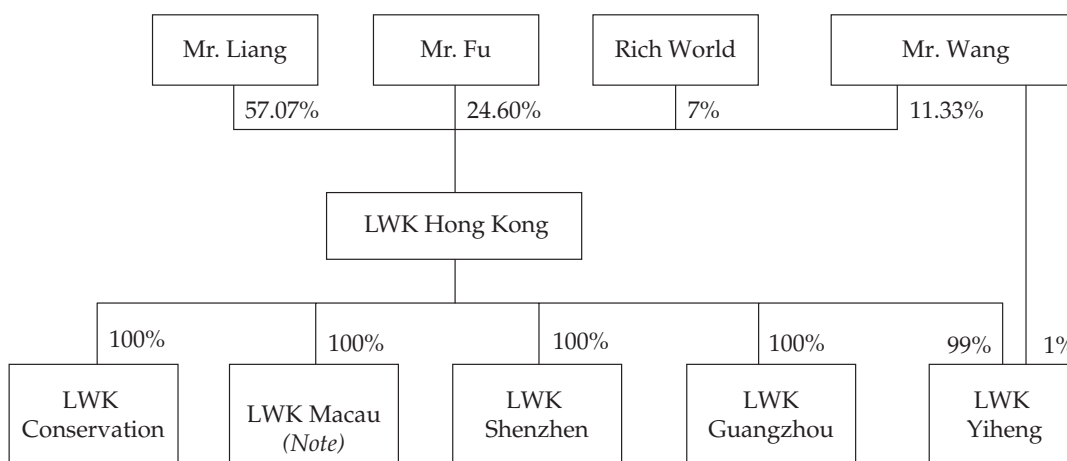
HISTORY, REORGANISATION AND GROUP STRUCTURE

REORGANISATION

Our Company completed the Reorganisation on 5 December 2013 in preparation for the Listing, pursuant to which our Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “A. Further Information about our Company — 4. Corporate Reorganisation” in Appendix IV to this prospectus.

OUR GROUP STRUCTURE

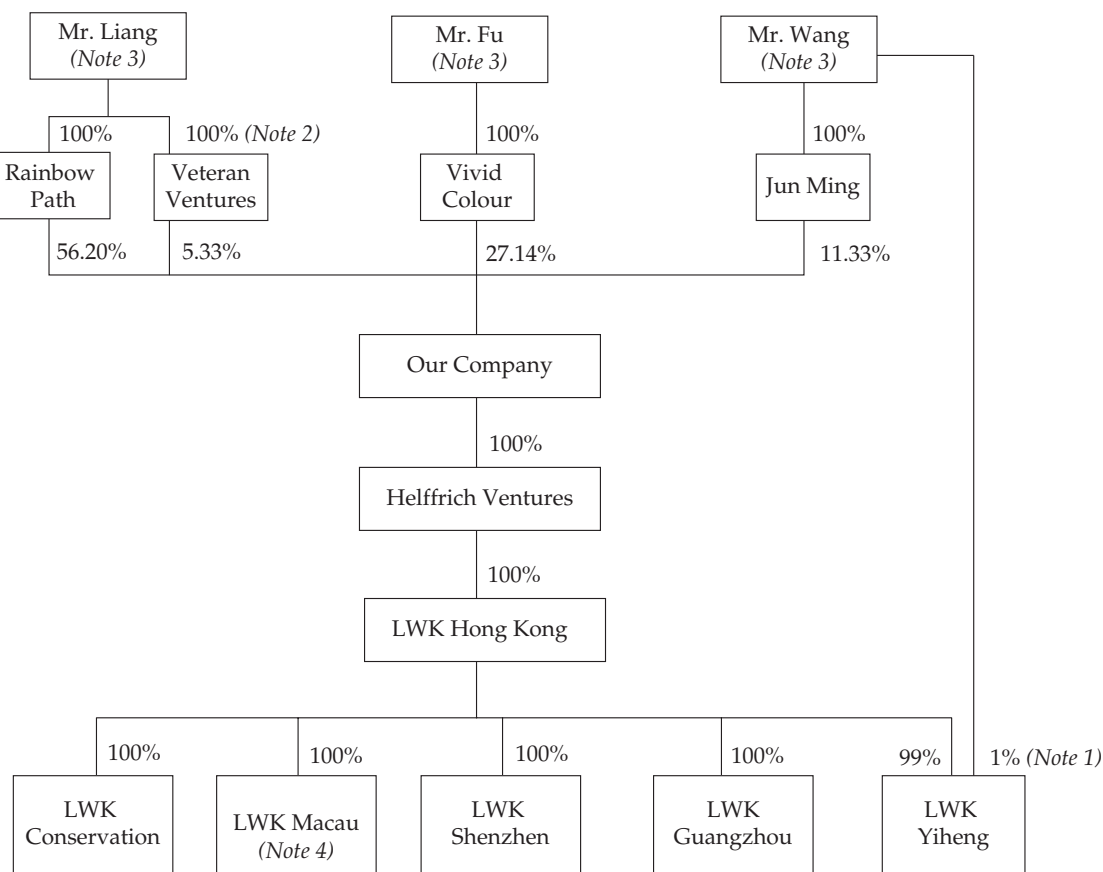
As part of the Reorganisation, a number of share transfers had been effected and pursuant to which our Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “A. Further Information about our Company — 4. Corporate Reorganisation” in Appendix IV to this prospectus. The following diagram sets out the corporate structure of our Group before the Reorganisation:



Note: By a declaration of trust dated 11 June 2013 entered into between LWK Hong Kong and LWK Conservation, LWK Conservation declared to hold 10% of the share capital of LWK Macau on trust for LWK Hong Kong. As such, LWK Macau is beneficially owned as to 100% by LWK Hong Kong.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation (but not taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme):

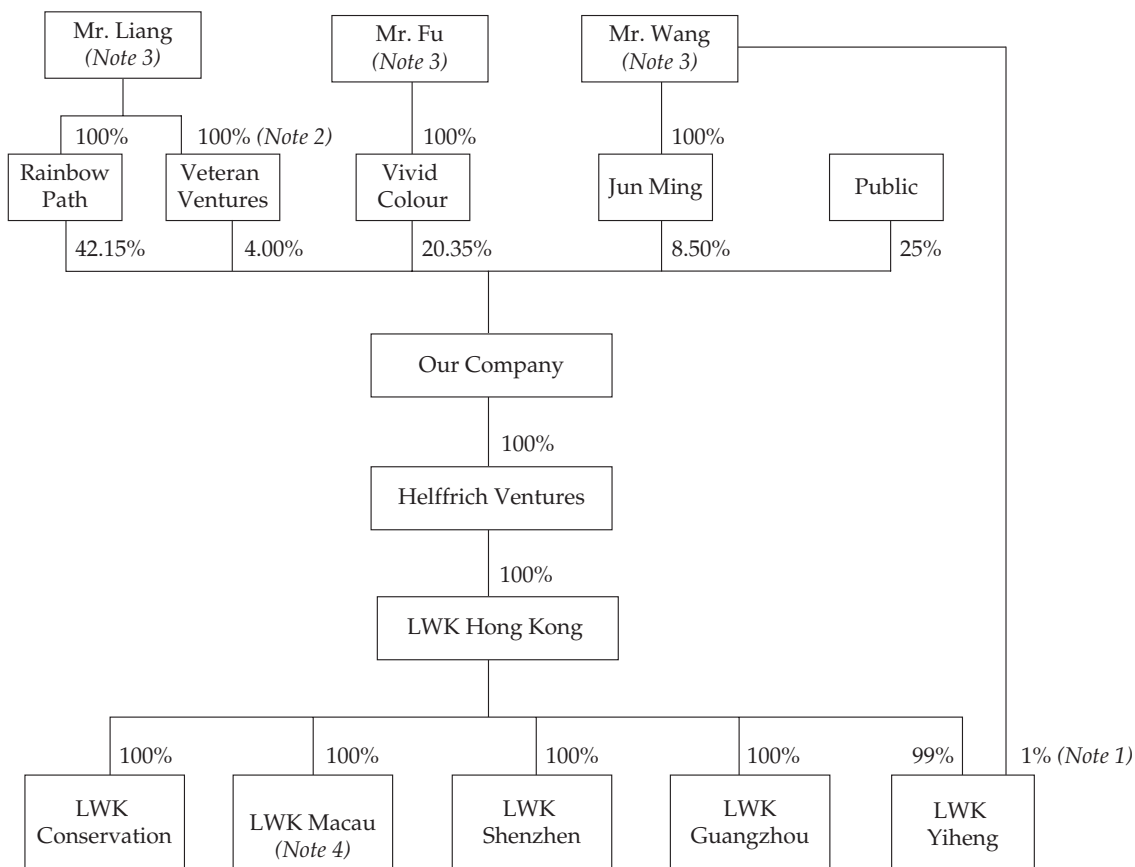


Notes:

1. LWK Yiheng is an indirect non wholly-owned subsidiary of our Group, with Mr. Wang, our Director, holding 1% of its equity interest.
2. Veteran Ventures holds the interests in our Group for Mr. Liang with his intent to distribute such interests to his designated employees of our Group in the future. As at the Latest Practicable Date, the distribution of such interests was yet to be determined.
3. Mr. Liang, Mr. Fu and Mr. Wang are our executive Directors. As at the Latest Practicable Date, Mr. Liang, Mr. Fu and Mr. Wang had never entered into any shareholders' agreement among themselves.
4. By a declaration of trust dated 11 June 2013 entered into between LWK Hong Kong and LWK Conservation, LWK Conservation declared to hold 10% of the share capital of LWK Macau on trust for LWK Hong Kong. As such, LWK Macau is beneficially owned as to 100% by LWK Hong Kong.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram sets out the corporate structure of our Group upon completion of the Capitalization Issue and the Placing:



Notes:

1. LWK Yiheng is an indirect non wholly-owned subsidiary of our Group, with Mr. Wang, our Director, holding 1% of its equity interest.
2. Veteran Ventures holds the interests in our Group for Mr. Liang with his intent to distribute such interests to his designated employees of our Group in the future. As at the Latest Practicable Date, the distribution of such interests was yet to be determined.
3. Mr. Liang, Mr. Fu and Mr. Wang are our executive Directors. As at the Latest Practicable Date, Mr. Liang, Mr. Fu and Mr. Wang had never entered into any shareholders' agreement among themselves.
4. By a declaration of trust dated 11 June 2013 entered into between LWK Hong Kong and LWK Conservation, LWK Conservation declared to hold 10% of the share capital of LWK Macau on trust for LWK Hong Kong. As such, LWK Macau is beneficially owned as to 100% by LWK Hong Kong.

BUSINESS

BUSINESS 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 and contributed 92.2%, 89.7% and 92.9% of our total revenue for each of the two years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, respectively. 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 revenues generated from architecture and the other four practice areas during the Track Record Period are set forth below:

	Year ended 31 December				Six months ended 30 June			
	2011		2012		2012		2013	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Hong Kong								
Architecture	36,853	18.6	61,115	22.8	28,135	21.8	40,740	27.4
Landscape architecture, town planning, interior design and heritage conservation	2,165	1.1	8,746	3.2	3,617	2.8	2,311	1.6
	39,018	19.7	69,861	26.0	31,752	24.6	43,051	29.0
PRC								
Architecture	145,234	73.1	178,459	66.5	88,190	68.3	93,972	63.3
Landscape architecture, town planning, interior design and heritage conservation	13,052	6.6	18,955	7.1	8,387	6.5	7,774	5.2
	158,286	79.7	197,414	73.6	96,577	74.8	101,746	68.5
Other markets ^(Note 1)								
Architecture	982	0.5	989	0.4	740	0.6	3,239	2.2
Landscape architecture, town planning, interior design and heritage conservation	192	0.1	18	0.0	8	0.0	472	0.3
	1,174	0.6	1,007	0.4	748	0.6	3,711	2.5
Total	198,478	100.0	268,282	100.0	129,077	100.0	148,508	100.0

Note:

1. 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. Through and at our Hong Kong, the PRC and/or Macau offices, we provided the service of conceptual design to projects located in other markets and the relevant local architectural companies which possess the relevant statutory licences and/or qualifications in those jurisdictions are principally responsible for the execution of such projects. Our Directors confirm that we only provide our design concepts formulated in our Hong Kong, PRC and/or Macau offices in respect of projects located in other markets and during the Track Record Period we had not carried out any business activities in markets other than Hong Kong, the PRC and Macau, which requires specific qualifications and/or approval.

We consider that we are one of the leading local architectural service providers in Hong Kong, being ranked seventh in terms of the total revenue in 2012 among all of the architectural service providers in Hong Kong, according to the Ipsos Report. For details, please refer to the paragraph headed “Our Competitive Advantages” in this section below.

We started providing services to the projects located in the PRC through LWK Shenzhen in 2002. In addition to our headquarter in Hong Kong, we have five offices in the PRC, namely in Shenzhen, Shanghai, Guangzhou, Chengdu and Shenyang.

On 2 April 2011, we acquired 75% equity interest in LWK Yiheng, an enterprise with the Grade A Qualification. With the Grade A Qualification, we have expanded our operations in the PRC, with services covering from conceptual design to building completion of a property development in the PRC. For details, please refer to the paragraph headed “Our Competitive Advantages” in this section below.

BUSINESS

We have an established presence in Hong Kong and in cities of different tiers in the PRC with a strong and diversified clientele base. The following two tables set forth the breakdown of our Group's revenue by (1) types of clients; and (2) geographical locations of our projects, during the Track Record Period:

Client ^(Note 1)	Number of clients attributable to our revenue during the Track Record Period		Year ended 31 December				Six months ended 30 June			
	Number of projects involved during the Track Record Period	Number of projects involved during the Track Record Period	2011		2012		2012		2013	
			HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
HK Blue-chip Developers	12	175	113,550	57.3	135,547	50.5	70,862	54.9	78,527	52.9
HK listed developers ^(Note 2)	24	100	45,484	22.9	36,371	13.6	16,387	12.7	21,504	14.5
HK unlisted developers	11	20	7,214	3.6	15,092	5.6	5,884	4.6	18,705	12.6
PRC developers ^(Note 3)	99	121	28,170	14.2	70,440	26.3	27,386	21.2	29,469	19.8
Others ^(Note 4)	47	58	4,060	2.0	10,832	4.0	8,558	6.6	303	0.2
Total:	193	474	198,478	100.0	268,282	100.0	129,077	100.0	148,508	100.0

Notes:

- 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 client, 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.
- This excludes the HK Blue-chip Developers.
- 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.
- This includes but is not limited to the Government, public organisations in Hong Kong and the PRC government authorities.

BUSINESS

Project location	Number of projects involved 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	141	39,018	19.7	69,861	26.0	31,752	24.6	43,051	29.0
PRC									
— First tier cities ^(Note 1)	48	29,040	14.6	64,607	24.1	36,673	28.4	32,194	21.7
— Second tier cities ^(Note 2)	134	88,628	44.6	70,299	26.2	34,640	26.8	37,460	25.2
— Third tier and other PRC cities ^(Note 3)	139	40,618	20.5	62,508	23.3	25,264	19.6	32,092	21.6
Others ^(Note 4)	12	1,174	0.6	1,007	0.4	748	0.6	3,711	2.5
Total:	474	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 and Shenzhen.
2. According to the Ipsos Report, second tier cities include Chengdu, Chongqing, Hangzhou, Tianjin, Dalian, Wuhan, Suzhou, Nanjing, Qingdao, Xiamen, Xi'an, Ningbo, Changsha, Hefei, Zhengzhou, Wuxi, Dongguan, Jinan and Shenyang.
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 and 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. Through and at our Hong Kong, the PRC and/or Macau offices, we provided the service of conceptual design to projects located in other markets and the relevant local architectural companies which possess the relevant statutory licences and/or qualifications in those jurisdictions are principally responsible for the execution of such projects. Our Directors confirm that we only provide our design concepts formulated in our Hong Kong, PRC and/or Macau offices in respect of projects located in other markets and during the Track Record Period we had not carried out any business activities in markets other than Hong Kong, the PRC and Macau, which requires specific qualifications and/or approval.

For the breakdown of our Group's revenue during the Track Record Period by contract sums of our projects, please refer to the tables set forth under the paragraph headed "Our Services — Our projects" in this section below.

OUR BUSINESS MODEL

We have an integrated business model covering from design, project administration to supervision of a project development. The following table provides an illustration of our business model:

Design	Project Administration	Supervision
<ul style="list-style-type: none"> • Diversified project teams • Systematic allocation of work • Quality control 	<ul style="list-style-type: none"> • Co-ordination with consultants and/or contractors • Statutory submission(s) 	<ul style="list-style-type: none"> • Site supervision • Building inspection • Rectification work

Design

We recruit both local and overseas staff and our project teams comprise staff with different expertise and professional qualifications. Together with our training and development program to our staff, we believe our project teams have a diversified knowledge base to produce quality designs.

In order to maintain the production efficiency and quality of our design products, including drawings and models, we have a systematic work allocation mechanism and quality control measures. We have obtained the certificate of ISO 9001 in respect of our quality management system.

Project Administration

In a property development in Hong Kong and the PRC, certain statutory submissions of plans and/or designs to relevant authorities are required in different stages. In order to produce the plans and/or designs for statutory submissions, for example, the general building plans and preliminary designs (初步設計), inputs from other external consultants, such as structural engineers, quantity surveyors and/or building service engineers, are necessary. We will co-ordinate with different external consultants and consolidate inputs from different parties in a property development into the plans and/or designs for statutory submissions. Further we will also co-ordinate with the contractors, during the construction works stage, to ensure the construction works comply with the plans and designs approved by the relevant authorities.

Supervision

During the construction works stage, we will carry out site supervision to ensure the quality and safety of the construction works. After building is completed, we will carry out inspection to ensure the building is safe for occupation or able to pass the inspection by the relevant authorities. We will also co-ordinate with different parties if any rectification work is required.

OUR SERVICES

Being a comprehensive architectural service provider, we have five major practice areas: (a) architecture; (b) landscape architecture; (c) town planning; (d) interior design; and (e) heritage conservation. The following is a brief introduction of these five practice areas:

Architecture

Architecture is our mainstream of practice. We provide a wide range of services of architecture to our clients, including: (i) architectural design (or building design) to different types of building developments, such as residential, commercial and mixed-use developments; (ii) associated study and drawing services for facilitating architectural design, such as feasibility study, production of schematic drawings, detailed drawings and tender drawings; and (iii) associated administration services for facilitating architectural design, such as administration of a building contract, statutory submission of building plans and site supervision.

With the Grade A Qualification, we are eligible to provide the relevant technical, consulting and project management services in a PRC development from conceptual design to building completion. In particular, we are eligible to provide, including but not limited to (i) building and structural design; (ii) outdoor engineering design; (iii) underground engineering design for residential building; (iv) design for small residential area, surrounding area of the industrial area and living area within the industrial area; (v) planning design for small area; and (vi) simplex design.

The design content and/or the relevant specialties involved in the above architectural services, including but not limited, to master layout planning design, site leveling design, piping and wiring system, landscape design, interior decoration design, infrastructure, fire services, intelligence control system, security system, communications system, lightning prevention, civil air defense, power supply system, lighting design, drainage system, air-conditioning facilities and earthquake resistance reinforcement.

After our acquisition of LWK Yiheng, we have engaged in the provision of all the above types of architectural service in the PRC.

Landscape architecture

Our service of landscape architecture includes: (i) landscape design to a wide range of projects, including parks, gardens and residential development, urban design, sports and recreational sites, community and civic spaces, resorts and streetscape; (ii) associated study and drawing services for facilitating landscape design, such as production of schematic design, visualisations, detailed design and tender drawings; and (iii) associated administration services for facilitating landscaping design, such as statutory submission of landscape master plans, tree survey and site supervision.

Town planning

Our service of town planning includes: (i) planning feasibility study of a particular region, city, district and various types of projects, such as residential, commercial, mixed-use, tourist and logistic developments through detailed urban, social, economic, environmental research and analysis; (ii) conceptual and detailed master planning and urban design to formulate a master layout plan (MLP), associated design visualisation as well as technical analysis for various types of projects; and (iii) statutory planning submission to the Town Planning Board in Hong Kong pursuant to the Town Planning Ordinance (Cap. 131).

Interior design

Our service of interior design includes: (i) interior design to different building premises, such as residential, commercial and mixed-use developments; and (ii) associated drawing services for facilitating interior design, such as feasibility study, production of schematic drawings, detailed drawings and tender drawings; and (iii) associated administration services for facilitating interior design, such as administration of fitting out contracts and site supervision.

Heritage conservation

Our service of heritage conservation includes: (i) appraisals of historic buildings, diagnostic investigations, including condition survey, measured drawings, photographic and cartographic survey of historic buildings; (ii) an integrated architecture and conservation design solution for adaptive reuse or revitalisation of historical buildings or heritages, and urban renewal or regeneration projects with conservation elements; (iii) associated drawing services for facilitating the heritage conservation designs, such as feasibility study, production of schematic drawings, detailed drawings and tender drawings; and (iv) associated administration services for facilitating the heritage conservation designs, such as statutory submission of a conservation management plan (CMP) & heritage impact assessment (HIA), administration of a building contract and site supervision.

Our projects

During the Track Record Period, we were involved in 474 projects in total, of which 141, 321 and 12 projects were located in Hong Kong, the PRC and other markets, respectively. Amongst the 141 projects in Hong Kong, 62 projects were completed and with full receipt of the contract sum and 79 projects were in progress as at 30 June 2013. Amongst the 321 projects in the PRC, 186 projects were completed and with full receipt of the contract sum and 135 projects were in progress as at 30 June 2013.

BUSINESS

The following table sets forth the summary about the projects that were completed during the Track Record Period:

	Hong Kong			The PRC			Other Markets ^(Note 1)		
	Number of projects	Revenue recognised during		Number of projects	Revenue recognised during		Number of projects	Revenue recognised during	
		Total contract sum HK\$'000	the Track Record Period HK\$'000		Total contract sum HK\$'000	the Track Record Period HK\$'000		Total contract sum HK\$'000	the Track Record Period HK\$'000
Projects with a contract sum of HK\$10,000,000 or above	3	42,222	51	3	68,846	9,001	-	-	-
Projects with a contract sum below HK\$10,000,000	59	61,007	12,865	183	234,346	93,780	8	12,171	2,265
Total:	62	103,229	12,916	186	303,192	102,781	8	12,171	2,265

Note:

1. 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. Through and at our Hong Kong, the PRC and/or Macau offices, we provided the service of conceptual design to projects located in other markets and the relevant local architectural companies which possess the relevant statutory licences and/or qualifications in those jurisdictions are principally responsible for the execution of such projects. Our Directors confirm that we only provide our design concepts formulated in our Hong Kong, PRC and/or Macau offices in respect of projects located in other markets and during the Track Record Period we had not carried out any business activities in markets other than Hong Kong, the PRC and Macau, which requires specific qualifications and/or approval.

BUSINESS

The following three tables set forth the information about our projects available as at 30 June 2013 with reference to the contract sum:

Hong Kong

	Number of projects ^(Note 3)	Total contract sum ^(Note 3) <i>HK\$'000</i>	Remaining contract sum ^(Notes 1 and 3) <i>HK\$'000</i>	Revenue recognised during the Track Record Period <i>HK\$'000</i>
Projects with a contract sum of HK\$10,000,000 or above	12	240,906	176,084	58,840
Projects with a contract sum below HK\$10,000,000	<u>67</u>	<u>192,678</u>	<u>91,587</u>	<u>76,734</u>
Total:	<u><u>79</u></u>	<u><u>433,584</u></u>	<u><u>267,671</u></u>	<u><u>135,574</u></u>

The PRC

	Number of projects ^(Note 3)	Total contract sum ^(Note 3) <i>HK\$'000</i>	Remaining contract sum ^(Notes 1 and 3) <i>HK\$'000</i>	Revenue recognised during the Track Record Period <i>HK\$'000</i>
Projects with a contract sum of HK\$10,000,000 or above	35	928,813	505,293	218,644
Projects with a contract sum below HK\$10,000,000	<u>100</u>	<u>361,605</u>	<u>180,066</u>	<u>139,620</u>
Total:	<u><u>135</u></u>	<u><u>1,290,418</u></u>	<u><u>685,359</u></u>	<u><u>358,264</u></u>

BUSINESS

Other Markets^(Note 2)

	Number of projects ^(Note 3)	Total contract sum ^(Note 3) HK\$'000	Remaining contract sum ^(Notes 1 and 3) HK\$'000	Revenue recognised during the Track Record Period HK\$'000
Projects with a contract sum of HK\$10,000,000 or above	1	15,466	14,804	1,190
Projects with a contract sum below HK\$10,000,000	3	12,147	9,869	2,278
Total:	4	27,613	24,673	3,468

Notes:

1. Summation of contract sums of all projects in the category x (100% – percentage of completion).
2. 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. Through and at our Hong Kong, the PRC and/or Macau offices, we provided the service of conceptual design to projects located in other markets and the relevant local architectural companies which possess the relevant statutory licences and/or qualifications in those jurisdictions are principally responsible for the execution of such projects. Our Directors confirm that we only provide our design concepts formulated in our Hong Kong, PRC and/or Macau offices in respect of projects located in other markets and during the Track Record Period we had not carried out any business activities in markets other than Hong Kong, the PRC and Macau, which requires specific qualifications and/or approval.
3. Number of projects, total contract sum and remaining contract sum represent all our projects available as at 30 June 2013 including those awarded but yet to commence.

BUSINESS

The following three tables set forth the information about our projects available as at 30 June 2013 with reference to the stages:

Hong Kong

Stages	Number of projects	Total contract sum <i>HK\$'000</i>	Remaining contract sum ^(Note 1) <i>HK\$'000</i>	Revenue recognised during the Track Record Period <i>HK\$'000</i>
Awarded but had not yet commenced	1	730	730	–
Starting ^(Note 2)	11	87,225	83,180	4,045
In progress ^(Note 3)	59	315,173	182,572	112,811
Finishing ^(Note 4)	8	30,456	1,189	18,718
Total:	79	433,584	267,671	135,574

The PRC

Stages	Number of projects	Total contract sum <i>HK\$'000</i>	Remaining contract sum ^(Note 1) <i>HK\$'000</i>	Revenue recognised during the Track Record Period <i>HK\$'000</i>
Awarded but had not yet commenced	6	43,066	43,066	–
Starting ^(Note 2)	11	168,188	164,615	3,573
In progress ^(Note 3)	102	914,143	471,775	314,442
Finishing ^(Note 4)	16	165,021	5,903	40,249
Total:	135	1,290,418	685,359	358,264

BUSINESS

Other Markets^(Note 5)

Stages	Number of projects	Total contract sum <i>HK\$'000</i>	Remaining contract sum ^(Note 1) <i>HK\$'000</i>	Revenue recognised during the Track Record Period <i>HK\$'000</i>
Awarded but had not yet commenced	-	-	-	-
Starting ^(Note 2)	2	21,720	20,706	1,542
In progress ^(Note 3)	2	5,893	3,967	1,926
Finishing ^(Note 4)	-	-	-	-
Total:	4	27,613	24,673	3,468

Notes:

1. Summation of contract sums of all projects in the category x (100% - percentage of completion).
2. Less than 10% of the project had been completed.
3. 10% to 90% of the project had been completed.
4. Over 90% of the project had been completed but does not include projects fully completed as at 30 June 2013.
5. 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. Through and at our Hong Kong, the PRC and/or Macau offices, we provided the service of conceptual design to projects located in other markets and the relevant local architectural companies which possess the relevant statutory licences and/or qualifications in those jurisdictions are principally responsible for the execution of such projects. Our Directors confirm that we only provide our design concepts formulated in our Hong Kong, PRC and/or Macau offices in respect of projects located in other markets and during the Track Record Period we had not carried out any business activities in markets other than Hong Kong, the PRC and Macau, which requires specific qualifications and/or approval.

BUSINESS

OUR COMPETITIVE ADVANTAGES

With experienced management, professional staff and project experience, our Directors consider that we have established a reputation in the architectural service industry in Hong Kong and the PRC. Our Directors believe that our Group possesses the following competitive advantages:

We are one of the leading local architectural service providers in Hong Kong

There is no specific ranking system in the architectural service industry. In Hong Kong, architectural service providers are classified into two bands by the AACSB plus one extra band compiled, maintained and provided separately by the Association of Architectural Practices in Hong Kong and the HKIA. For details of the minimum entry criteria of, eligibility and the number of architectural service providers holding the relevant qualification in 2012, please refer to the section headed “Industry Overview — Architectural service industry in Hong Kong — Classification of architectural service providers in Hong Kong”. The entry barrier of Band 1 List of Consultants of AACSB is higher than the other two bands. Further, the project value of the projects that the architectural service companies in the Band 1 List of Consultants of AACSB are eligible to bid for is the highest among the three bands. As such, the banding of architectural service providers serves as a guideline for property developers to select eligible service providers.

As at the Latest Practicable Date, there were 174 architectural service companies duly registered in the HKIA, of which 22 of them have been placed in the Band 1 List of Consultants of the AACSB (“**Band 1 List of Consultants of AACSB**”). LWK Hong Kong is currently placed in the Band 1 List of Consultants of AACSB. Architectural service companies placed in the Band 1 List of Consultants of AACSB will be eligible to bid for AACSB consultancies of the appropriate category with estimated project value exceeding HK\$245 million each.

The following table sets forth the top 10 architectural service providers in Hong Kong in terms of revenue in 2012:

Rank	Name of Company	Location of Headquarter	Revenue in	Market	Number of Offices Globally	Practice Areas				Grade A Qualification
			2012 (Note 1) (HK\$ million)	Share of Total Industry Revenue (%)		Town Planning	Landscape Architecture	Interior Design	Heritage Conservation	
1	Company A	outside Hong Kong	3,103	18.6%	27	✓	✓	✓	✓	✓
2	Company B	Hong Kong	1,078	6.5%	16	✓	✓	✓	✓	
3	Company C	Hong Kong	458	2.7%	5	✓	✓	✓	✓	✓
4	Company D	Hong Kong	380	2.3%	5	✓	✓	✓	✓	
5	Company E	Hong Kong	302	1.8%	5	✓			✓	
6	Company F	Hong Kong	296	1.8%	5	✓	✓	✓		
7	Our Group	Hong Kong	268	1.6%	6	✓	✓	✓	✓	✓
8	Company G	Hong Kong	251	1.5%	3	✓	✓	✓		
9	Company H	Hong Kong	215	1.3%	6	✓	✓	✓		✓
10	Company I	outside Hong Kong	190	1.1%	4	✓	✓	✓		

Source: Ipsos Report

Note:

1. Revenues of the top 10 architectural service providers in Hong Kong include their international revenues generated in and outside Hong Kong.

We consider that we are one of the leading local architectural service providers in Hong Kong, being ranked seventh in terms of the total revenue in 2012 among all architectural service providers in Hong Kong, according to the Ipsos Report.

We provide comprehensive architectural service to our clients

Being a comprehensive architectural service provider, we have five major practice areas: (a) architecture; (b) landscape architecture; (c) town planning; (d) interior design; and (e) heritage conservation.

Further, our comprehensive architectural service model is gaining strength from the combination of our Hong Kong office and the PRC office. In a PRC development project, the developer, both from Hong Kong and the PRC, will need to engage an enterprise with relevant design qualification, to design, endorse and/or submit certain documents to the PRC government for approval in certain stages of the development. With the addition of LWK Yiheng in our Group, an enterprise with the Grade A Qualification, we have expanded our operations in the PRC, with services covering from conceptual design to building completion of a property development in the PRC.

If our Hong Kong client commences a property development in the PRC, our comprehensive architectural service model is valuable to them because we are able to provide them a one-stop-shop service in the development. For our PRC clients, our Hong Kong background provides an added value of having architects with international experience involved.

Our Directors believe that our comprehensive architectural service model will ensure quality enhancement of our service and provide a better product to our clients through the close liaison within our Group. This can be shown by our increased clientele seeking our service during the Track Record Period as we had 48, 47 and 27 new clients for each of the two years ended 31 December 2012 and the six months ended 30 June 2013, respectively.

We have stable and long-term client relationships with sizeable developers

We have established stable and long-term business relationships with sizeable developers, including HK Blue-chip Developers, HK-listed developers and various sizeable developers in the PRC. Further, our established clientele provides us a stable source of revenue. Our clients, who have maintained relationships with us for more than 5 years, contributed to 68.7%, 60.2% and 65.1% of our revenue for the two years ended 31 December 2012 and the six months ended 30 June 2013, respectively.

BUSINESS

Through constant interactions, we gain knowledge of our clients' preferences and this enables us to provide more comprehensive and tailor-made services to them. Our Directors believe that our long-term relationships with sizeable developers in Hong Kong and the PRC provide a stable source of revenue to our Group.

The following table sets forth the breakdown of our clients by duration of their business relationships with us and their respective accumulated contribution to the revenue of our Group during the Track Record Period:

Client Relationship	Number of clients involved in the year ended 31 December		Number of projects involved in the year ended 31 December		Year ended 31 December 2011		Year ended 31 December 2012		Number of clients involved in the six months ended 30 June 2013		Number of projects involved in the six months ended 30 June 2013		Six months ended 30 June 2013	
	2011	2011	2011	2011	2012	2012	2012	2012	June 2013	June 2013	June 2013	June 2013	HK\$'000	(%)
Less than 1 year	48	56	11,993	6.0	47	49	34,786	13.0	27	30	10,888	7.3		
1 year or above but less than 5 years	37	73	50,214	25.3	85	129	71,798	26.8	53	83	40,956	27.6		
5 years or above but less than 10 years	20	118	61,267	30.9	20	118	84,291	31.4	10	65	22,600	15.2		
10 years or above but less than 15 years	7	30	24,216	12.2	7	30	27,950	10.4	9	61	46,472	31.3		
Over 15 years	8	66	50,788	25.6	8	66	49,457	18.4	7	59	27,592	18.6		
Total:	120	343	198,478	100.0	167	392	268,282	100.0	106	298	148,508	100.0		

Note:

- The clients above are categorised into groups. For details of such categorisation, please refer to the table set out under the paragraph "Business Overview" in this section above.

We have a diversified clientele base with clients from cities of different tiers in the PRC

We believe that our wide geographical coverage, together with our diversified clientele base in cities in which we already have an established presence, is a key factor in our competitive market position in the PRC.

According to the Ipsos Report, the continuous growth in the urbanisation rate and economy of the PRC will sustain the development and growth of its architectural service industry. Our Directors believe that this will continue and increase in both growth and demand concerning architectural service in response to the development in cities in the PRC over the next decade.

BUSINESS

During the Track Record Period, we had over 320 projects in around 30 cities in the PRC, covering from first tier cities in the coastal region to third tier cities in the central and western regions of the PRC. Our Directors believe that the second and third tier cities in the PRC would play an increasing role in the market as a result of the rapid urbanisation in the PRC. We consider that our diversified clientele base allows us to accumulate knowledge of the business environment of the regional markets and establish connections and working relationships with local business partners.

We have gained wide market recognition in Hong Kong and the PRC

During the Track Record Period, we had involved in over 470 projects in Hong Kong and the PRC, covering from first tier cities in the coastal region to third tier cities in the central and western regions of the PRC, with an accumulated contract sum of more than HK\$2,100 million. In addition, in recent years, we had been awarded 15 major prizes in recognition of our work in Hong Kong and the PRC. For details of our awards and prizes, please refer to the paragraph headed “Awards and Accreditation” in this section below.

Our Directors believe that the number, and geographical locations of our projects and the prizes we received in recent years serve as good indicators of our wide market recognition in Hong Kong and the PRC.

We have an established multi-office operation model within our Group

With a view to achieving long-term access to the PRC market, we established our first PRC office in Shenzhen in 2002. Since 2002, we have expanded to five offices located across the PRC as at the Latest Practicable Date. Different work stages of our projects can be specifically assigned to the designated departments or teams amongst our local offices through our Group’s well-established multi-office operation model to capitalize on our diversified technical knowledge, enhance productivity and efficiency, and cater for the special needs of our local clients.

BUSINESS STRATEGIES AND FUTURE PLANS

We aim to further establish a multi-centre operation model to increase our productivity and profitability by adopting the following strategies:

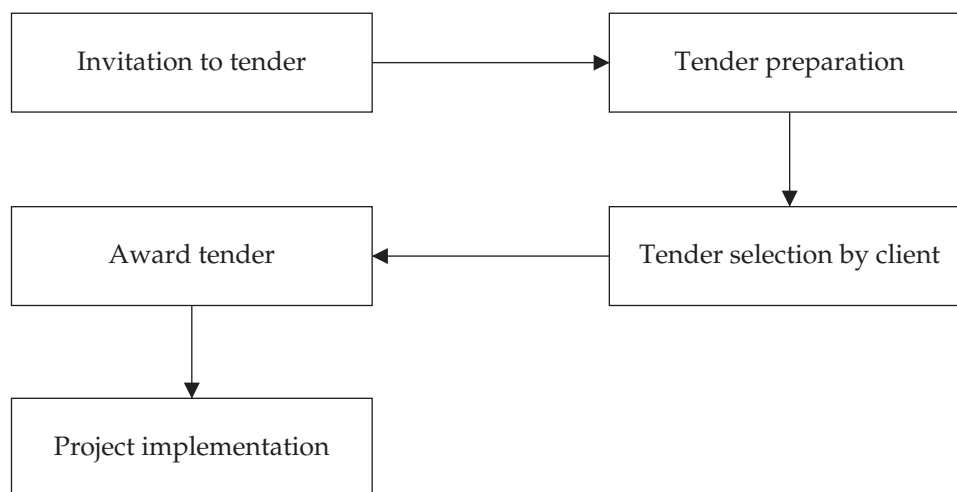
- to enhance our information technology infrastructure;
- to carry out marketing activities in the PRC; and
- to expand our offices and teams.

For details of our business strategies and future plans, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

BUSINESS

OPERATING PROCEDURES

Our Group principally obtains business by invited tendering. The following diagram illustrates the general operational procedures of our projects undertaken by us from invited tendering:



Invitation to tender

We, from time to time, receive invitation to tender from our clients or potential clients for our service. The invitation to tender usually contains a tender document package which may include project description, a draft service contract, land leases, requirements of the tender proposal and various forms for tender submission.

All of the invitations to tender received by us will first be reviewed by our management. They will consider various factors, amongst others, nature of the project, project size, reputation of the clients, previous business experience (if any), any particular specialty required and the risks involved. If our management decides to accept the invitation, we will proceed to prepare the tender proposal.

Tendering

We have a systematic tender review procedure to allow us to make a competitive tender submission. After our management decides to submit a tender, a project director in charge of the proposal/project will be assigned.

In general, the tender proposal involves two parts: (i) a fee proposal; and (ii) a technical proposal.

Preparation of fee proposal

Our contracts department is responsible for making a fee proposal. We calculate the tender price with reference to the following factors: (i) project type; (ii) project location; (iii) stages involved; (iv) gross total area of the site; (v) design requirements; (vi) expected

completion time; (vii) complexity; (viii) the costs to engage sub-consultants (if necessary); (ix) expected labour required; and (x) result from our client evaluation (if applicable). We will also make reference to the previous projects/proposals completed or submitted in preparing the fee proposal.

Further, our contracts department will also include our proposed terms to the draft service contract. If our client does not provide their draft service contract, we will include our draft service contract in the tender proposal.

Preparation of technical proposal

The technical proposal is prepared by our project team, formed by the project director, comprising colleagues from different departments. We will consider the following factors in forming the project team: (i) project location, i.e. Hong Kong, the PRC or overseas; (ii) project nature, i.e. residential towers, luxury houses, commercial, institutional, or master planning; (iii) preference of customer; (iv) preference of the design style, such as classical approach or contemporary approach; and (v) expertise of our colleagues and their workload.

The content of a technical proposal depends on the tender requirements. In general, the technical proposal usually includes written statements on design approaches, project program, our relevant project experience or track record, our project team personnel, including team structure, key personnel, degree of involvement of each member and sub-consultants (if necessary). If our scope of work in the project involves design, the technical proposal may also include design drawings, schedules, diagrams and models to demonstrate our proposed design approach.

Tender submission

Our management will review the tender proposal and confirm submission. After the tender submission, we may have to attend an interview to present the tender proposal and reply to tender queries. If the project is awarded to us, we will finalise the service contract with our client. If the project is not awarded to us, the tender proposal will be closed.

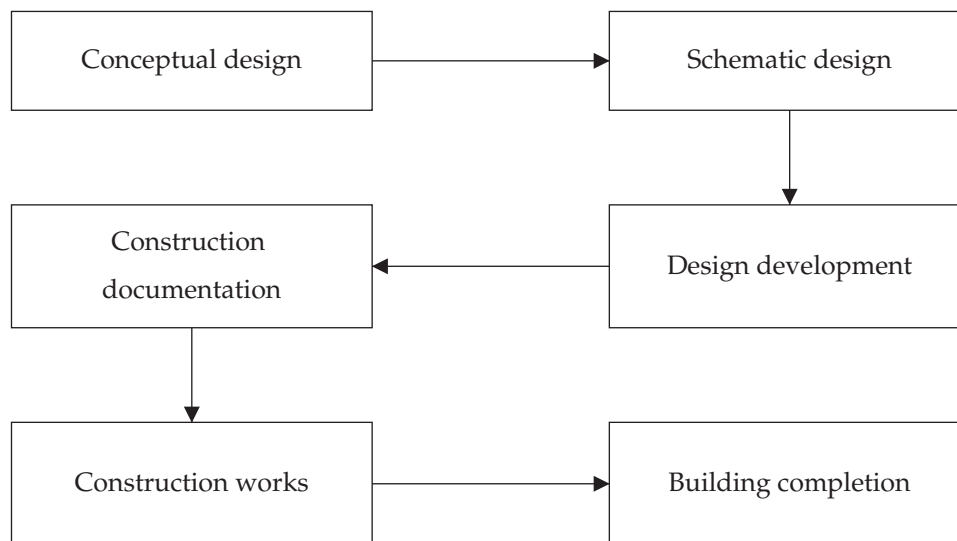
For the two years ended 31 December 2012 and the six months ended 30 June 2013, our success rates of tender were approximately 26.3%, 26.8% and 27.0%, respectively.

Project Implementation

When a project is awarded to us, we will proceed to execute the project pursuant to its terms. The actual work to be carried out by us much depends on our role in the project, the stage of the development we are involved and the scope of service under the service contract. In general, the project director will review and reconfirm the resources to be placed in the project, including the confirmation of the project team members and the sub-consultants (if any). Our accounting department will establish a budget cost plan and invoicing schedule of the project.

BUSINESS

In general, an entire development project carried out by a developer involves the following major stages of work:



To complete an entire development, the developer needs to engage various consultants. Depending on the type of development, the following consultants may be engaged: architect, landscape architect, town planner, interior designer, heritage conservation consultant, structural engineer, building service engineer, quantity surveyor. At different stages of work, different consultants will be involved and they may have different roles.

Our client may engage us to be their consultant of certain type(s) to provide service to them at certain stage(s) of work in the entire development. For example, we may be engaged to provide town planning service for the development during the schematic design stage, or to provide landscape architectural service from the conceptual design stage to the construction documentation stage, or to provide architectural and interior design service from the schematic design stage to the building completion. As such, our comprehensive service model is able to fulfill the needs of various developers.

Before the acquisition of LWK Yiheng, we did not have the Grade A Qualification. Nevertheless, without the relevant design qualification, as advised by our PRC Legal Advisers, it was legitimate for our Group to provide, and we only provided, the architectural service in the PRC under the following three situations:

- (i) we were involved in the consultancy services of specific item engineering design (專項工程設計) which did not require design qualification pursuant to the Circular on Design Qualification Standards and the Circular on Application of Specific Design Qualification^(note);
- (ii) we were involved in the conceptual design only; or
- (iii) we were required to cooperate with a PRC design enterprise with the relevant design qualification if we provided the architectural service on or after the schematic design.

Note: For details please refer to the section headed “Regulatory Overview — The PRC — A. Laws and regulations relating to the industry” in this prospectus

BUSINESS

Further, before the acquisition of LWK Yiheng, if statutory submission of designs and documentation to the relevant bureaus in the PRC for approval was required in certain stages of work in a PRC property development, our Group or the developer would need to engage a PRC design enterprise with the relevant design qualification to arrange for such statutory submission. After the acquisition of LWK Yiheng, with the Grade A Qualification, we are entitled to provide architectural service for a PRC property development from conceptual design to building completion and arrange for the statutory submission of designs and documentation to the relevant bureaus in the PRC for approval. For details of the architectural service we are entitled to provide, please refer to the paragraph headed “Our Services” above in this section.

As advised by our PRC Legal Advisers, our operations in the PRC were in full compliance with all the relevant laws, rules and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

The following is a brief introduction of these major stages of work and our services to be provided to our clients in these stages:

Conceptual design (概念設計)

At the commencement of a property development, our client usually has decided the general building type of the development, such as hotel, residential or commercial. Nevertheless, the major parameters of the development, such as the infrastructure, peripheral facilities and density have not yet been determined. Therefore, at the conceptual design stage, we consider our role is to substantiate our client’s idea of development and assist them to maximize the economic value of the site.

We will confirm with our client the information, including the functional requirement(s) of the building(s), market positioning of the project and theme of the development. After that, we will prepare a background study about the statutory restrictions imposed by relevant authorities on the development, and will visit the site and carry out the view and surrounding analyses, including the analyses of pedestrian and vehicular traffic flow, noise, wind direction and terrain profile, etc.

In general, we will produce to our client the following documents:

- a sketch master layout plan (MLP) (if necessary), plans sections and three-dimensional sketches indicating the placement of the functional spaces, circulation arrangement and the overall building form of the project; and
- the overall development program/timetable and estimated budget of the project.

As advised by our PRC legal adviser, the provision of architectural service for the conceptual design does not need any design qualification. As such, before the acquisition of LWK Yiheng, we were able to complete this stage of work ourselves.

Schematic design (方案設計)

After the conceptual design stage, the overall concept or outline of the development has been confirmed. At the schematic design stage, our role is to produce more detailed sketches, drawings and plans to our client, and if necessary, for statutory submission. We will carry out a thorough study for our client on the following areas which have direct impact on the schematic design or the master layout plan (MLP) to be prepared by us:

- pedestrian and vehicular circulation;
- servicing strategy, including refuse collection arrangement and loading/unloading arrangement;
- electrical and mechanical provisions; and
- environmental considerations, such as site ventilation and natural lighting.

We will incorporate our client's proposed arrangement in each of the above four areas and refine the schematic design or the master layout plan (MLP) until our client is satisfied.

In Hong Kong, for certain large-scale developments, a master layout plan (MLP) is required to be submitted to the Lands Department for approval. The master layout plan (MLP) must be endorsed by an authorised person before submission.

In the PRC, the schematic design is required to be submitted to the planning bureau (規劃局) for approval. The schematic design must be endorsed by an enterprise with relevant design qualification before submission. Before the acquisition of LWK Yiheng, our Group or the developer would engage a PRC design enterprise with the relevant design qualification. After finalizing the schematic design, the same would be passed to that enterprise for endorsement and statutory submission to the planning bureau (規劃局) for approval. After the acquisition of LWK Yiheng, since we possess the Grade A Qualification, we are entitled to endorse the finalised schematic design for submission.

Obtaining approval from the relevant departments or authorities are usually considered as the completion of this stage.

Design development (深化設計)

After the schematic design stage or the master layout plan (MLP) has been approved and confirmed, we will further refine the plans and elaborate on the elevation design and coordinate with the other consultants engaged by the client to ensure the design can be constructed. For instance, we will co-ordinate with the structural engineer to work out the structural column dimensions, and the electrical and mechanical engineer to work out the plant room sizes and locations.

In Hong Kong, a general building plan (GBP), which shows the refined plans, sections and elevations of the development, is required to be submitted to the Building Authority for approval. The general building plan (GBP) must be endorsed by an authorised person before submission.

In the PRC, the preliminary design (初步設計), which concludes the results of the design development, is required to be submitted to the construction bureau (建設局) for approval. Similar to the schematic design, the preliminary design must also be endorsed by an enterprise with relevant design qualification before submission. Before the acquisition of LWK Yiheng, our Group or the developer would engage a PRC design enterprise with the relevant design qualification. After finalizing the preliminary design, the same would be passed to that enterprise for endorsement and statutory submission to the construction bureau (建設局) for approval. After the acquisition of LWK Yiheng, since we possess the Grade A Qualification, we are entitled to endorse the finalised preliminary design for submission.

After the general building plan (GBP) or the preliminary design has been approved and confirmed, we will co-ordinate with the structural engineer and quantity surveyor to carry out the tendering procedures to appoint a suitable contractor to carry out the foundation works of the buildings in the property development.

Construction documentation (施工圖設計)

In this stage, we will develop the construction details of the building to ensure that the purpose of the design can be properly delivered in the final construction stage and will use the general building plan (GBP)/preliminary design completed in the previous stage as a base, and prepare a set of construction documentation to be included in the tender package for the tendering for the main contractors and the related sub-contractor(s) for construction.

To complete the tender package for contractors, we will coordinate with other consultants engaged by our client to complete the entire set of tender drawings, which include the structural drawings from the structural engineer, and electrical and mechanical drawings from the electrical and mechanical engineer, and the bills of quantities (if any) from the quantity surveyor.

In Hong Kong, the construction documentation must be prepared according to the approved general building plan (GBP). Otherwise, the general building plan (GBP) must be revised and re-submitted to the Building Authority for approval.

In the PRC, the construction documentation, is required to be submitted to the relevant construction bureau for approval. The construction documentation must be endorsed by an enterprise with relevant design qualification before submission. Before the acquisition of LWK Yiheng, our Group or the developer would engage a PRC design enterprise with the relevant design qualification. After finalizing the construction documentation, the same would be passed to that enterprise for endorsement and statutory submission to the construction bureau (建設局) for approval. After the acquisition of LWK Yiheng, since we possess the Grade A Qualification, we are entitled to endorse the construction documentation for submission.

Construction works (施工階段跟進工作)

Our duties in the construction works stage are generally the inspection and coordination of the construction works carried out by the contractor. We will review and approve the assembly drawings and shop drawings prepared by the contractors, make periodic visits to the site to ensure the quality and safety of the construction works, and issue certificates and carry out other administrative duties required by our clients.

In Hong Kong, we will also carry out the statutory duties of an authorised person as required under the provisions of the Building Ordinance.

In the PRC, the duties of inspection at the construction works stage are carried out by an engineering supervision institution (工程監理單位), which is also a licensed professional body. As such, in a PRC property development, our involvement mostly ends upon the approval of the tender/construction drawings. Nevertheless, some of our clients are willing to continue to retain us in the construction works stage to carry out certain administrative duties.

Building completion

Depending on the terms of the service contract, building completion is considered as either passing the inspection of the building by the relevant regulatory authority or after passing such inspection, the expiry of a certain period, for example, the defect liability period. We will assist our client to pass the inspection, and if necessary, to co-ordinate with different parties in a property development if any rectification work is required.

BUSINESS

Roles and services performed by our subsidiaries

The following table sets forth a summary of the roles and services performed by our subsidiaries before and after our acquisition of LWK Yiheng and the regulatory requirements applicable to the business operations of each of them:

Name of subsidiary ^(Note 1)	Before acquisition of LWK Yiheng	After acquisition of LWK Yiheng	Regulatory requirement applicable to the business operations
LWK Hong Kong	<i>Projects located in Hong Kong</i> Principal role: Architectural consultant	Same	Architecture: registered architect, authorised person and corporate member of HKIA Landscape architecture: registered landscape architect and registered practice of HKILA Town planning: registered professional planner Interior design: no particular licensing requirement Heritage conservation: no particular requirement For details of the regulatory requirement, please refer to the section headed "Regulatory Overview — Hong Kong" in this prospectus.
	Service: Provision of service of architecture, landscape architecture, town planning, interior design and heritage conservation from conceptual design to building completion		
	<i>Projects located in the PRC</i> Principal role: Architectural consultant		
	Service: Provision of service of architecture under the three situations as described above	Same	No particular licensing requirement relating to the business operations ^(Note 4)
	<i>Projects located in other markets</i> Principal role: Architectural consultant	Same	No particular licensing requirement relating to business operations in that jurisdiction because we co-operate with the local architectural companies with the relevant statutory licences and/or qualifications in that jurisdiction.
	Service: Provision of service of architecture from conceptual design to building completion		

BUSINESS

Name of subsidiary ^(Note 1)	Before acquisition of LWK Yiheng	After acquisition of LWK Yiheng	Regulatory requirement applicable to the business operations
LWK Conservation	Principal role: Consultant to heritage conservation Service: Provision of service of heritage conservation to projects located in Hong Kong	Same	No particular licensing requirement relating to the business operations
LWK Macau	N/A ^(Note 2)	Principal role: Architectural consultant Service: Provision of service of architecture from conceptual design to building completion	No particular licensing requirement relating to business operations in that jurisdiction because we co-operate with the local architectural companies with the relevant statutory licences and/or qualifications in that jurisdiction.
LWK Yiheng	N/A	Principal role: Architectural consultant Service: Provision of service of architecture from conceptual design to building completion to projects located in the PRC including the arrangement of the submission of design and documentation to the relevant bureaus in the PRC for approval (for details, please refer to scope of service eligible to be provided with the Grade A Qualification described above)	Grade A Qualification (for details of the licensing requirements, please refer to the sections headed “Regulatory Overview — The PRC — A. Laws and regulations relating to the industry” and “Business — Regulatory Compliance — Grade A Qualification of LWK Yiheng” in this prospectus)
LWK Shenzhen	Principal role: Architectural consultant Service: Provision of service of architecture under the three situations as described above	Same ^(Note 3)	No particular licensing requirement relating to the business operations ^(Note 4)
LWK Guangzhou	N/A ^(Note 2)	Principal role: As back-up office to provide support to our project teams Service: N/A	No particular licensing requirement relating to the business operations

BUSINESS

Notes:

- (1) Helffrich Ventures is an investment holding company incorporated on 15 January 2013 and it did not and had not carried on any business activities during the Track Record Period and as at the Latest Practicable Date and therefore has no separate disclosure in the above table.
- (2) LWK Macau and LWK Guangzhou had not yet been incorporated before the acquisition of LWK Yiheng.
- (3) During the Track Record Period, our Group also generated revenue in the PRC through LWK Shenzhen. The role of LWK Shenzhen in PRC projects of our Group will gradually diminish and its role will gradually be replaced by LWK Yiheng.
- (4) As advised by our PRC Legal Advisers, it was legitimate for LWK Hong Kong and/or LWK Shenzhen, without the Grade A Qualification or any other design qualifications, to provide, and as confirmed by the Company, LWK Hong Kong and/or LWK Shenzhen only provided, the architectural service in the PRC under the following three situations:
 - (i) LWK Hong Kong and/or LWK Shenzhen were involved in the consultancy services of specific item engineering design (專項工程設計) which did not require design qualification pursuant to the Circular on Design Qualification Standards and the Circular on Application of Specific Design Qualification;
 - (ii) LWK Hong Kong and/or LWK Shenzhen were involved in the conceptual design only; or
 - (iii) LWK Hong Kong and/or LWK Shenzhen were required to cooperate with a PRC design enterprise with the relevant design qualification if LWK Hong Kong and/or LWK Shenzhen provided the architectural service on or after the schematic design.

Further, if statutory submission of designs and documentation to the relevant bureaus in the PRC for approval was required in certain stages of work in a PRC property development, LWK Hong Kong and/or LWK Shenzhen, or the developer would need to engage a PRC design enterprise with the relevant design qualification to arrange for such statutory submission.

As advised by our PRC Legal Advisers, the operations of LWK Hong Kong and/or LWK Shenzhen in the PRC were in full compliance with all the relevant PRC laws, rules and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Please also refer to the paragraph headed "Operating Procedures — Project Implementation" above in this section and the section headed "Regulatory Overview — The PRC" in this prospectus.

MAJOR CONTRACT TERMS

The following describes the general major terms and conditions of the service contracts entered into by us with our clients:

Scope of work

The service contract will provide our role, the works we are required to complete and the work progress in the development.

As to our role in the project, we may be engaged to provide the service of architecture, landscape architecture, town planning, interior design and/or heritage conservation. Since we are a comprehensive architectural service provider, we are usually engaged by our client to perform more than one role in the development, i.e. being our client's consultant of architecture and town planning in certain stage(s) of development carried out by our client.

As to our work and responsibilities in the development, we may be engaged to focus on producing designs, which involves the production of design drawings, schedules, diagrams, models or to focus on project administration, which is about the overall planning, coordination and supervision of the project.

Terms of payment

In general, our service fee is paid on a lump sum basis and is divided into various portions. Our service fee is paid in separate stages according to the progress of the project. In general, additional service fee will be awarded in the following three situations:

1. changes to the scope of work;
2. major design changes by our client; and
3. rescheduling the timetable of the development as decided by our client.

In the above situations, we will enter into a supplemental agreement with our client.

Based on the understanding and industry knowledge of our Directors and our experience in operating our business, supplemental service contracts are not uncommon in the architectural service industry with a relatively long service duration (i.e. from around 2 to 5 years). The major contract terms of the supplemental service contract are usually (i) the scope of the additional work; (ii) the additional service fee; and/or (iii) the reason(s) of entering into the supplemental service contract or charging the additional service fee. Our additional service fee under the supplemental service contract is generally calculated with reference to the following factors: (i) the nature of the additional work; (ii) the amount of the additional work; (iii) the risk of the additional work; and (iv) the service fee of the original service contract.

BUSINESS

For the two years ended 31 December 2012, we had entered into 28 supplemental service contracts with our clients out of the 392 projects we were involved in during the same period. The additional service fees involved in these supplemental agreements amounted approximately to HK\$43.3 million, of which approximately HK\$6.3 million and HK\$1.8 million were contributed to our revenue and net profit respectively for the two years ended 31 December 2012, representing approximately 1.3% and 4.5% of our total revenue and net profit during the same period, respectively. The progress billings receivable from contract customers arisen from supplemental agreement as at 31 December 2012 was approximately HK\$2.1 million, representing approximately 2.9% of the total progress billings receivable from contract customers as at the corresponding year end.

During the Track Record Period, we were involved in three projects which were suspended or failed to complete and the aggregate remaining contract sum involved amounted to approximately HK\$22.0 million. For details please refer to section headed “Risk Factors — Risks relating to our business — Our service fee may not be paid in full due to suspension or failure of our client’s projects” in this prospectus.

Typical duration of service contract and production and payment cycle

In the architectural service industry, the duration of the service contract and length of production and payment cycle vary with a number of factors, including but not limited to, project type, project scale, complexity, role and scope of service under the service contract. Based on the understanding and industry knowledge of our Directors and our experience in operating our business, typical duration of service contract of our projects and actual length of production and payment cycle under each of our major projects, are set forth below:

Practice area	Typical duration of service contract of our projects^(Note 1)	Average duration from contract execution to completion and full payment of the contract sum during the Track Record Period and up to the Latest Practicable Date^(Note 2)
Architecture	44 to 63 months	53 months
Landscape architecture	6 to 36 months	16 months
Town Planning	3 to 9 months	6 months
Interior design	11 to 43 months	27 months
Heritage conservation	9 to 24 months	16 months

BUSINESS

Notes:

1. For practice areas such as landscape architecture and interior design, the duration of service contract may vary to a large extent. For landscape architecture and interior design projects in full scope of service (i.e. in relation to property development), the duration of service contract is relatively longer (i.e. 36 months or more). For some other landscape architecture and interior design projects of relatively small scale, the duration of service contract ranges from several months to a year.
2. For architecture projects, after the building completion, our works and responsibilities under the service contract have been fully performed. Nevertheless, in general, under the service contract, the final portion of the payment to us, which usually amounts to around 5% of the total contract sum, is to be payable after the developer finishes the main construction contract final account or defect liability period, as the case may be. In some projects, the time to prepare and finalise the main construction contract final account by the developer may take up to 18 to 24 months depending on the terms of the service contract.

Our service fee is paid in separate stages according to the achievement of a specific milestone as set out in the service contract. In general, the achievement of the milestones is agreed upon the two basis: (i) if statutory submission to relevant authorities for approval is required under the particular work stage, upon the approval from the relevant authorities; or (ii) if statutory submission to relevant authorities for approval is not required under the particular work stage, upon the satisfaction of our client to the work. The following two tables set forth the major milestones usually involved in a typical project in Hong Kong and the PRC respectively:

Hong Kong ^(Note 1)

Work stage	Description	Percentage of fee (%)
1.	Upon signing of appointment	5.0
2.	Upon completion of the inception, feasibility studies and conceptual design	5.0
3.	Upon completion of the outline schematic design	10.0
4.	Upon completion of the submission to the Building Authority in respect of first general building plan (GBP) with preparation of all necessary plans, calculation, etc. and obtain approval of the general building plan (GBP) by all relevant departments	10.0
5.	Upon completion of the design development	10.0
6.	Upon completion of the construction documentation	20.0
7.	Upon award of the foundation contract to the contractor responsible for the foundation works of the buildings in the development	3.0
8.	Upon award of the main contract to the main contractor	7.0
9.	Upon issuance of consent to commence main contract work from the Building Authority	5.0

BUSINESS

Work stage	Description	Percentage of fee (%)
10.	Upon completion of foundation works	6.0
11.	Upon completion of superstructural works	7.0
12.	Upon acknowledgment of the completion or issuance of occupation permit	7.0
13.	Upon issuance of certificate of completion of making good defects	5.0
Total:		100.0

Note:

- Based on the understanding and industry knowledge of our Directors and our experience in operating our business, the table above represents a typical construction project in Hong Kong where we are engaged by our client to provide service from conceptual design to building completion. The actual work stage and percentage of fee may vary from case-to-case.

The PRC *(Note 1)*

Work stage	Description	Percentage of fee (%)
1.	Upon signing of appointment	5.0
2.	Upon completion and client's approval of comprehensive planning document for building ("修建性詳細規劃文件") for reporting to the government authorities	4.5
3.	Upon completion of the schematic design document ("方案設計文件") for reporting to the government authorities	3.0
4.	Upon approval of schematic design document ("方案設計文件") by the relevant government authorities	1.5
5.	Upon completion of preliminary design document ("初步設計文件") for reporting to the government authorities	5.5
6.	Upon approval of preliminary design document ("初步設計文件") by the relevant government authorities	2.5
7.	Upon completion of building, structural and integrated electrical and mechanical installation drawings ("建築、結構及綜合機電施工圖") for reporting to the government authorities	7.0

BUSINESS

Work stage	Description	Percentage of fee (%)
8.	Upon approval of building, structural and integrated electrical and mechanical installation drawings (“建築、結構及綜合機電施工圖”) by the relevant government authorities	3.0
9.	Upon issuance of construction engineering planning permit (“建築工程規劃許可證”) from the relevant government authorities	5.0
10.	Upon completion of tender drawings and documents of construction engineering main contractor (“土建總承包工程”) for tendering purpose	10.0
11.	Upon completion of contract drawings and documents of construction engineering main contractor (“土建總承包工程”) for signing of contracts	10.0
12.	Upon approval by client of the tender drawings and tender documents of all the major stipulated subcontracting work, e.g. heating pipes, electrical appliances, plumbing and drainage system, aluminium doors and windows, glass curtain walls, fire services, interior design (fine decoration), etc.	10.0
13.	Within the contractual period of construction engineering main contractor, payment by installment in accordance with the proportion between approved engineering costs (“核定工程款”) and total contract price (unforeseeable charges (“不可預見費”) exclusive) with each period of a minimum length at two calendar months	18.0
14.	Upon approval of building, structural and integrated electrical and mechanical installation drawings (“建築、結構及綜合機電施工圖”) by the relevant government authorities	5.0
15.	Upon issuance of certificate of integrated quality control and completion (“綜合質檢竣工證書”) and occupation permit (“入戶許可證”)	5.0
16.	Upon issuance of certificate of completion of making good defects (“缺陷保修完成證書”)	3.0
17.	Upon issuance of the final account of the contracts of main contractor and all sub-contractors (“本工程總承包及所有分包的合同決算書”)	2.0
Total:		100.0

Note:

- Based on the understanding and industry knowledge of our Directors and our experience in operating our business, the table above represents a typical construction project in the PRC where we are engaged by our client to provide service from conceptual design to building completion. The actual work stage and percentage of fee may vary from case-to-case.

Copyright and ownership of plans

In general, the copyright in all drawings and in the work executed from us will remain our property unless otherwise agreed.

Termination

We or our client can terminate the service contract by serving a prior written notice to the other party. The notice period ranges from one month to three months depending on the terms of the service contract. Upon such termination, our client is required to settle our outstanding service fee under the service contract. Our outstanding service fee will usually be calculated up to the stage of work and the extent of work in any incomplete stage up to the date of termination. Upon termination and settlement of our outstanding service fee, we are required to return all documents, plans or drawings in our possession in relation to the project to our client.

Insurance

The developers in Hong Kong and the PRC in most situations require us to maintain a professional indemnity insurance under the service contract. The limit of indemnity required under the service contract generally depends on the project sum or the preference of certain developers. For more information about our insurance, please refer to the paragraph headed "Insurance" in this section below.

Quality issue

To the best knowledge of our Directors, in the architectural service industry, there is no warranty period for service provided.

In general, our quality of service is controlled by

- (i) the terms of the service contract;
- (ii) the statutory duties prescribed under the relevant regulations; and
- (iii) the applicable codes of professional conduct,

which usually continue to be applicable against us after the completion of the project (where appropriate). If our quality of service does not conform to the service contract or is in breach of the relevant regulations or codes of professional conduct, we may not be entitled to the service fee under the service contract, may incur civil or criminal liability and/or commits a disciplinary offence, even if subsequently discovered after the completion of the project. As advised by our legal advisers as to Hong Kong laws, in general the limitation period for our client to sue us under the service contract governed by Hong Kong laws for damages is 6 years from the date of our default. As advised by our PRC Legal Advisers, the limitation of action for our client to sue us under the service contract governed by the PRC laws for damages is generally two years from the date when the client knows or should know his or her rights have been infringed upon.

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We have taken out professional indemnity insurance to cover our potential liability arising from the claims against us under the service contracts. For more information about our insurance, please refer to the paragraph headed “Insurance” in this section below.

We do not notice there was any major quality issue and relevant loss incurred due to any major quality issue during the Track Record Period.

OUR CLIENTS

The amount of our service fee and payment schedule are determined by the service contract with our client.

Our project is divided into different stages and our entitlement to each portion of our service fee depends on our completion of a certain type of work up to that particular stage of the project under the service contract. We issue an invoice to our client for each portion of our service fee when our services have been completed at a particular stage. We usually grant a credit period of 90 days and up to 180 days to our clients. In most scenarios, our clients settled our invoice by cheque or telegraphic transfer.

The following table sets forth the details of our five largest clients during the Track Record Period:

Client	Background	Year ended 31 December		Six months ended		Length of business relationship with our Group as at the Latest Practicable Date		
		2011	2012	30 June 2013				
		Approximate % of our revenue	Rank	Approximate % of our revenue	Rank	Approximate % of our revenue	Rank	
Client A	HK Blue-chip Developer	(Note)	(Note)	12.7%	(1)	9.9%	(2)	5 years or above but less than 10 years
Client B	HK Blue-chip Developer	14.1%	(1)	9.9%	(2)	6.3%	(5)	over 15 years
Client C	PRC developer	(Note)	(Note)	7.6%	(3)	(Note)	(Note)	1 year or above but less than 5 years
Client D	HK Blue-chip Developer	9.2%	(3)	6.9%	(4)	(Note)	(Note)	10 years or above but less than 15 years
Client E	PRC developer	(Note)	(Note)	5.6%	(5)	6.7%	(4)	less than 1 year
Client F	HK Blue-chip Developer	11.4%	(2)	(Note)	(Note)	(Note)	(Note)	5 years or above but less than 10 years
Client G	HK Blue-chip Developer	7.2%	(4)	(Note)	(Note)	(Note)	(Note)	over 15 years
Client H	HK Blue-chip Developer	5.9%	(5)	(Note)	(Note)	10.5%	(1)	5 years or above but less than 10 years
Client I	HK unlisted developer	(Note)	(Note)	(Note)	(Note)	8.5%	(3)	1 year or above but less than 5 years
Total revenue attributable to our five largest clients		<u>47.8%</u>		<u>42.7%</u>		<u>41.9%</u>		

Note: Only the figures and rankings of our five largest clients of each of the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013 are shown in this table.

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For each of the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, the aggregate revenue attributable to our five largest clients amounted to HK\$94.9 million, HK\$114.6 million and HK\$62.3 million, respectively, representing 47.8%, 42.7% and 41.9% of our total revenue, respectively. For each of the same periods, the revenue attributable to our largest client amounted to HK\$28.1 million, HK\$33.9 million and HK\$15.6 million, respectively, representing 14.1%, 12.7% and 10.5% of our total revenue, respectively.

To our Directors' best knowledge, none of our Directors or their associates, or any of our Shareholders who own more than 5% of our Company's share capital, had any interest in any of our Group's five largest clients during the Track Record Period.

OUR SUPPLIERS

Our suppliers are the sub-consultants engaged by us in our projects. In general, we engage our sub-consultants for the ancillary and supporting services in the projects, such as model making, animation, computer graphic design, curtain-wall design and engineering consultancy.

We select our sub-consultants carefully as maintain a list of approved sub-consultants who are assessed by our contract department from time to time. When a project is awarded to us, the project director will review and reconfirm the resources to be placed in the project, including the engagement of sub-consultants, if any. We select our sub-consultants with reference to a number of factors, including (i) experience of sub-consultants such as their job reference and projects involved; (ii) performance in previous engagements with our Group as advised by our Directors, members of senior management or project architects; (iii) sub-consultancy services appraisal reports prepared by our contract department on the sub-consultant's corporate background and industry performance; (iv) tender price. Our Directors confirmed that it is our policy to diversify our base of sub-consultants which offer competitive prices.

In general, we are liable to our clients for our works no matter whether such works are done by our staff or by our sub-consultants. Since our sub-consultants are engaged to provide ancillary and supporting services to us in the projects and we will monitor and keep track of their works from time to time and we will not provide our sub-consultant's works to our clients directly.

As advised by our legal advisers as to Hong Kong laws and our PRC Legal Advisers, we have legal rights to hold our sub-consultants liable for any loss and damages suffered by our Group or if their works are not in accordance with the requirements set out in the sub-consultancy agreements.

Based on the understanding and industry knowledge of our Directors and our experience in operating our business, in practice, we may not be able to hold our sub-consultants liable if they are engaged for provision of model making, animation or computer graphic design services, whereas we may be able to hold our sub-consultants liable if they are engaged for provision of engineering consultancy services as some of such sub-consultants are registered structural engineer in Hong Kong and are subject to statutory requirements and liabilities under relevant legislations, in particular, the Building Ordinance.

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Our Directors confirmed that we do not enter into standard contracts with our sub-consultants and the terms in our sub-consultancy agreements vary from one project to another.

The service fee and payment schedule for our sub-consultants are determined by our sub-consultancy agreements entered into with our sub-consultants.

After we confirm to engage our suppliers, they usually grant us a credit period for 30 to 60 days. In most situations, we settle the invoice by cheque or telegraphic transfer.

Our suppliers engaged by us in our project are not our major clients, nor vice versa. For details of our clients, please refer to the paragraph headed “Our Clients” in this section above.

The following table sets forth the details of our five largest suppliers during the Track Record Period:

Supplier	Background	Year ended 31 December		Six months ended		Length of business relationship with our Group as at the Latest Practicable Date		
		2011	2012	30 June 2013				
		Approximate % of our total costs of services	Rank	Approximate % of our total costs	Rank	Approximate % of our total costs	Rank	
Supplier A	A design and engineering consultancy	(Note)	(Note)	1.3%	(1)	(Note)	(Note)	10 years or above but less than 15 years
Supplier B	A rendering and animation company	0.9%	(2)	0.7%	(2)	0.5%	(4)	1 year or above but less than 5 years
Supplier C	A building services consultancy	0.5%	(4)	0.6%	(3)	1.1%	(2)	over 15 years
Supplier D	A model production company	(Note)	(Note)	0.6%	(4)	(Note)	(Note)	1 year or above but less than 5 years
Supplier E	An architectural design company	1.2%	(1)	0.5%	(5)	1.1%	(1)	5 years or above but less than 10 years
Supplier F	A design and engineering consultancy	0.5%	(3)	(Note)	(Note)	(Note)	(Note)	10 years or above but less than 15 years
Supplier G	A building services consultancy	0.5%	(5)	(Note)	(Note)	(Note)	(Note)	over 15 years
Supplier H	An architectural design company	(Note)	(Note)	(Note)	(Note)	0.9%	(3)	10 years or above but less than 15 years
Supplier I	A rendering and animation company	(Note)	(Note)	(Note)	(Note)	0.4%	(5)	5 years or above but less than 10 years
Total costs of services attributable to our five largest suppliers		3.6%		3.7%		4.0%		

Note: Only the figures and rankings of our five largest suppliers of each of the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013 are shown in this table.

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For each of the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, the aggregate sub-consultancy fee paid to our five largest suppliers amounted to HK\$5.6 million, HK\$7.8 million and HK\$4.2 million, respectively, representing 3.6%, 3.7% and 4.0% of our total costs of services, respectively. For the same period, the sub-consultancy fee to our largest supplier amounted to HK\$1.9 million, HK\$2.8 million and HK\$1.8 million, respectively, representing 1.2%, 1.3% and 1.1% of our total costs of service, respectively.

To our Directors' best knowledge, none of our Directors or their associates, or any of our Shareholders who own more than 5% of our Company's share capital, had any interest in any of our five largest suppliers during the Track Record Period.

SALES AND MARKETING

Our Group principally obtains business by invited tendering. As such, we consider that enhancing our Group's reputation in the property development sector and encouraging referral from our existing clients are the two fundamental elements forming our marketing strategies.

We believe that effective marketing strategies are important to our business development. Our corporate communications department is responsible for planning and executing marketing strategies. In Hong Kong, promotional activities by an architectural service company, such as placing advertisement or conducting marketing activity in the public are restricted (for more details of the rules and regulations about the architectural service industry in Hong Kong, please refer to the section headed "Regulatory Overview — Hong Kong" in this prospectus). As such, our marketing strategy is executed through events and exhibitions, and our corporate social responsibility activities.

During the Track Record Period, we had organised or co-organised several forums, seminars, exhibitions and architectural studio events in Hong Kong and the PRC with academic institutions and professional bodies in the architectural service industry.

We believe that high brand awareness may enhance our reputation within the development and construction industry, generate further business opportunities and attract new developer clients. Moreover, we believe that the Listing will be a breakthrough in promoting our Group to the general public, thus further enhancing our brand and continued future business development.

AWARDS AND ACCREDITATION

In recognition of our outstanding performance and quality of works, we have received 15 major awards in the recent years. The following table sets forth the details of some of our awards:

No	Award Name	Awarding Organisation(s)
1.	2013 — BCI Asia Top 10 Architects Awards Hong Kong	The BCI Asia Construction Information Pte. Ltd.
2.	Focus China Architects Awards 2013	The BCI Asia Construction Information Pte. Ltd.
3.	2012 — 15th Shenzhen Engineering Survey and Design Selection, Third Prize (Public Architecture) — The Pavilion Hotel, Shenzhen (2012年深圳市第十五屆優秀工程勘察設計評選公共建築三等獎 — 中海康城大酒店)	Shenzhen Exploration & Design Association (深圳市勘察設計行業協會)
4.	2012 — 15th Shenzhen Engineering Survey and Design Selection, Second Prize (Residential Design) — Guanlan County, Shenzhen (2012年深圳市第十五屆優秀工程勘察設計評選住宅建築二等獎 — 觀瀾觀湖園)	Shenzhen Exploration & Design Association (深圳市勘察設計行業協會)
5.	2012 — 15th Shenzhen Engineering Survey and Design Selection, Second Prize (Residential Design) — The Royal Lakefront III — Royal Villa, Shenzhen (2012年深圳市第十五屆優秀工程勘察設計評選住宅建築二等獎 — 中海熙岸世家)	Shenzhen Exploration & Design Association (深圳市勘察設計行業協會)
6.	2012 — China Civil Engineering Zhantianyou Award, Excellent Planning Residential Development — Eastern Garden (2012年中國土木工程詹天佑獎住宅小區優秀規劃工程 — 中海萬錦東苑)	China Civil Engineering Society (中國土木工程學會)
7.	2012 — BCI Asia Top 10 Architects Awards Hong Kong	The BCI Asia Construction Information Pte. Ltd.
8.	2011 — BCI Asia Top 10 Architects Awards Hong Kong	The BCI Asia Construction Information Pte. Ltd.
9.	2011 — Honorable Mention in UNESCO Asia-Pacific Awards for Cultural Heritage Conservation — SCAD Hong Kong — Former North Kowloon Magistracy Building (2011年聯合國教科文組織亞太地區文化遺產保育獎 — 薩凡納藝術設計(香港)學院 — 前北九龍地方法院)	United Nations Educational, Scientific and Cultural Organisation (UNESCO) and Macao Foundation (澳門基金會)

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No	Award Name	Awarding Organisation(s)
10.	2010 — China Civil Engineering Zhantianyou Award, Excellent Planning Residential Development — Qian Tang Shan Shui (2010年中國土木工程詹天佑優秀住宅小區金獎 — 中海•錢 塘山水)	China Civil Engineering Society (中國土木工程學會)
11.	2009 — China Civil Engineering Zhantianyou Award, Golden Award of Excellent Residential Developments —Royal Lakefront, Suzhou (2009年中國土木工程詹天佑優秀住宅小區金獎 — 蘇州熙岸 花園)	China Civil Engineering Society (中國土木工程學會)
12.	2008 — China Civil Engineering Zhantianyou Award, Golden Award of Excellent Residential Developments — No. 1 Lakeside Palace, Suzhou (2008年中國土木工程詹天佑優秀住宅小區金獎 — 蘇州湖濱 1號)	China Civil Engineering Society (中國土木工程學會)
13.	2008 — Global Human Settlements Award — The Best Community of Global Human Settlements — Royal Lakefront, Suzhou (2008年全球人居環境最佳社區獎 — 蘇州半島華府)	Global Forum on Human Settlements; and United Nations Human Settlement Programme (UN-Habitat) (聯合國人類 住區規劃署)
14.	2008 — Certificate of Good Design Selection — Entrance Gate of Kimpo Gochon, HILLSTATE, Korea (2008年韓國優秀設計大獎 — Entrance Gate of Kimpo Gochon, HILLSTATE)	Korea Institute of Design Promotion
15.	2007 — Certificate of Good Design Selection — Yong-in Sang-Hyun, HILLSTATE Tower Type Apartment, Korea (2007年韓國優秀設計證書 — Yong-in Sang-Hyun, HILLSTATE Tower Type Apartment)	Korea Institute of Design Promotion

In addition, LWK Hong Kong has obtained the certificate of ISO 9001 in compliance with the requirements of ISO 9001:2008 quality management system standard, which is applicable to the provision of architectural service for Hong Kong projects.

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MAJOR QUALIFICATIONS

As at 30 June 2013, we had the following major licences/qualifications and our Directors consider that all these major licences/qualifications are important to our operations:

Licences/ Qualifications	Location	Expiry date	Minimum number of licenced/qualified employees that we must maintain from time to time
Band 1 List of Consultants of AACSB	Hong Kong	No expiry date but subject to annual review and rebanding exercise by AACSB	10 qualified architects ^(Note 1) at least 3 of whom must be Authorised Persons
Grade A Qualification	The PRC	29 September 2018	3 PRC Class 1 Registered Architects, 3 PRC Class 1 Registered Structural Engineers, 2 PRC Registered Building Service Engineers and 1 PRC Registered Electrical Engineer
Corporate membership in HKIA	Hong Kong	No expiry date	at least one director is a foundation member, a member or a fellow of HKIA
List of Registered Practices under HKILA	Hong Kong	No expiry date but subject to annual renewal	at least one landscape principal having professional or fellow HKILA membership
HKIP List of Planning Consultants	Hong Kong	No expiry date	at least one full member of the HKIP

Note:

1. Qualified architect means corporate member of the HKIA or a Registered Architect or an Authorised Person.

As advised by our PRC Legal Advisers, apart from the Grade A Qualification, our Group is not required to obtain any other licences/qualifications to carry out our operations in the PRC.

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As advised by our PRC Legal Advisers, according to the relevant PRC laws and regulations, in order to apply for the Grade A Qualification, a design enterprise shall have a certain number of licensed/qualified employees: 3 PRC Class 1 Registered Architects (一級註冊建築師), 3 PRC Class 1 Registered Structural Engineers (一級註冊結構工程師) and 2 PRC Registered Building Service Engineers (註冊公用設備工程師) and 1 PRC Registered Electrical Engineer (註冊電氣工程師). Besides, as advised by our PRC Legal Advisers, when a design enterprise with the Grade A Qualification carries out its operations in the PRC, there are generally no requirements in respect of the minimum number of the licensed/qualified employees to be involved in a project in accordance with the PRC laws and regulations. In general, the licensed/qualified employees of a design enterprise are legally entitled to cooperate with the non-licensed/non-qualified employees of the same design enterprise to jointly complete a project. Nevertheless, for certain projects of special types, there are requirements set forth by the local administrative department of construction to determine the number of licensed/qualified employees, the number of non-licensed/non-qualified employees and the ratio between them to be involved in those projects.

In the event that our Grade A Qualification is revoked or terminated by the relevant authorities, as advised by our PRC Legal Advisers, it will still be legitimate for our Group to provide certain architectural service in the PRC without the relevant design qualification. On operational level, we will be required to cooperate with a PRC design enterprise with the relevant design qualification if we provide the architectural service on or after the schematic design. For details please refer to paragraph headed “Operating procedures — Project implementation” above in this section. As such, our Group will no longer be eligible to provide all relevant technical, consulting and project management services in a PRC development from conceptual design to building completion totally on our own capacity and our financial performance and reputation would be adversely affected.

The qualifications of the (i) Band 1 List of Consultants of AACSB; (ii) corporate membership in HKIA; (iii) a participant in the list of Registered Practices under HKILA; and (iv) a participant in the HKIP List of Planning Consultants are important to our Group especially in the aspect of reputation. While there is no specific ranking system in the architectural service industry in Hong Kong, the entry barrier of Band 1 List of Consultants of AACSB is higher than the other two bands. Further, the project value of the projects that the architectural service companies in the Band 1 List of Consultants of AACSB are eligible to bid for is the highest among the three bands. As such, our Directors are of the view that the banding of architectural service providers serves as a guideline for property developers to select eligible service providers. In addition, we consider that the qualifications of the corporate membership in the HKIA, Registered Practice under HKILA and HKIP List of Planning Consultants are good indicators of our wide recognition by professional bodies in Hong Kong. In the event that these qualifications are revoked or terminated for any reasons, our reputation, which we believe to be crucial to our business, and financial performance may be adversely affected. While we rely on our professional staff who possess relevant licences/qualifications to render the comprehensive architectural service to our clients, our Directors believe that the status of the major qualifications of our Group, namely (i) the inclusion in the Band 1 List of Consultants of AACSB; (ii) the corporate membership in the HKIA; (iii) the

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inclusion in the Register of Practices under HKILA; and (iv) the inclusion in the HKIP List of Planning Consultants do not have material impact to our operations.

As advised by our legal advisers as to Hong Kong laws, our Group is still eligible to perform relevant professional activities in accordance with the relevant laws and regulations even if our corporate membership in the HKIA is terminated or we are not in the Register of Practices under HKILA and HKIP List of Planning Consultants.

As at 30 June 2013, our employees had the following major licences/qualifications:

Licences/Qualifications	Location	Number
Architecture		
Hong Kong Registered Architect*	Hong Kong	49
HKIA Member*	Hong Kong	49
Authorised Person*	Hong Kong	11
PRC Class 1 Registered Architect (中國一級註冊建築師)*	PRC	12
PRC Class 1 Registered Architect Qualification (中國一級註冊建築師資格)	PRC	2
PRC Class 1 Registered Structural Engineer (中國一級註冊結構工程師)*	PRC	6
PRC Registered Building Service Engineer (中國註冊公用設備工程師)*	PRC	2
PRC Registered Electrical Engineer (中國註冊電氣工程師)*	PRC	2
PRC Senior Engineer (中國高級工程師) Engineer (工程師)	PRC	11 27
Overseas Registered Architect (<i>Note 1</i>)	Overseas	12
Overseas Architect Professional Member (<i>Note 2</i>)	Overseas	9
Town Planning		
Registered Town Planner*	Hong Kong	1
HKIP Member	Hong Kong	3
PRC Registered Town Planner Qualification (中國註冊城市規劃師資格)	PRC	1
Landscape Architecture		
Registered Landscape Architect*	Hong Kong	3
HKILA Member*	Hong Kong	3
HKILA Accredited Arboricultural Practitioner	Hong Kong	1
ISA Certified Arborist	USA	1
ISA Certified Tree Risk Assessor	USA	1
Heritage Conservation		
Hong Kong Institute of Architectural Conservationists (HKICON) Member	Hong Kong	2

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Licences/Qualifications	Location	Number
Chinese Commission for the International Council on Monuments and Sites Member (中國古蹟遺址保護協會會員)	PRC	1
Others		
Registered Inspector	Hong Kong	1
Beam Pro	Hong Kong	12
LEED	USA	12

* Our Directors consider that these licences/qualifications held by our employees are crucial to our operation as we have to maintain the minimum number of licenced/qualified employees in respect of the major licences/qualifications held by our Group.

Notes:

- 1 Including: Architects Registration Board of Victoria (Australia)
Board of Architects of New South Wales (Australia)
Bureau of Commercial Services — Architect License (US)
Ontario Association of Architects (Canada)
Bureau Architectenregister (Netherlands)
Architects Registration Board (UK)

- 2 Including: Australian Institute of Architects (Australia)
Royal Architectural Institute of Canada (Canada)
The Royal Institute of British Architects (UK)

Our Group understands the importance of maintaining sufficient qualified employees to fulfill the requirements of our major licences/qualifications considered critical to our operations. On the managerial level, it is our personnel policy to recruit and retain more qualified employees than the minimum requirements under our major licences/qualifications at all times. On operational level, our human resources and administration department maintains a list of qualified employees from time to time to keep track on licensing status and number. In the event that any of these qualified employees resign from our Group or is involved in licensing matters, we will update and review the list of qualified employees to ensure that we have sufficient qualified employees to fulfill the requirements of our major licences/qualifications. If our human resources and administration manager identifies any risk of shortfall in the number of qualified employees, he will inform our Directors who will then look into the situation and make necessary arrangements to recruit additional professional staff to ensure ongoing compliance. In order to cope with the continuous demand for our professional services from clients, we will recruit quality professional staff from time to time to join our Group.

Our Directors are of the view that the above measures are effective and adequate as during the Track Record Period and up to the Latest Practicable Period given that (i) our number of qualified employees for each of our major licences/qualifications has been greater than the minimum requirement; and (ii) our major licences/qualifications are valid and have never been revoked or terminated by the relevant authorities.

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EMPLOYEES AND EMPLOYEE BENEFITS

Our Group has over 550 employees. The following table sets forth the number of our staff by functional role as at 30 June 2013:

	Number of Staff		Total
	Hong Kong	The PRC	
Management	4	5	9
Architecture	137	327	464
Landscape architecture	9	3	12
Town planning	4	–	4
Interior design	9	3	12
Heritage conservation	6	–	6
Finance ^(Note 1)	7	14	21
Administration ^(Note 2)	22	20	42
	<hr/>	<hr/>	<hr/>
Total	<u>198</u>	<u>372</u>	<u>570</u>

Notes:

1. Our finance department includes our (i) accounting department and (ii) contracts department.
2. Our administration department includes our (i) corporate communications department, (ii) human resources and administration department; and (iii) information technology department.

Being a service provider, manpower is our most valuable asset. Therefore, we consider that the maintenance of sufficient and high quality manpower is crucial to our Group's productivity. Therefore, we have implemented a staff policy, generally divided into three parts: (a) recruitment; (b) training and development; and (c) employees' benefit.

Recruitment

Our Group recruits newly graduated students from the architectural or design schools of universities in Hong Kong, the PRC and the USA regularly. We also maintain long-term relationships with various universities, including the University of Hong Kong and the Chinese University of Hong Kong, where we recruit our newcomers. As at the Latest Practicable Date, we were the sponsor of the Research and Development Studio Programme of the University of Hong Kong, the sponsor of the graduation degree show of the Chinese University of Hong Kong and annual high table dinner of Architectural Society of the University of Hong Kong.

Occasionally, we also recruit senior staff, especially those with particular specialties. We believe that this will inject new ideas to our Group and increase the diversification of our Group.

Training and development

According to the requirements set out by HKIA, all registered architects are required to complete a number of continuing professional development (CPD) programs each year. For details of the CPD requirements, please refer to the section headed “Regulatory Overview — Continuing professional development (CPD)” in this prospectus.

In addition to the CPD programs, our Group’s training and development package is also provided to our junior and senior professional staff.

For junior professional staff, they are required to complete in-house training program conducted by our associate architects, which is organised in order to assist our junior staff to prepare for the ARB Professional Assessment, a professional examination for admission as a registered architect in Hong Kong, in order to qualify as a registered architect in Hong Kong.

For senior professional staff, our development program is more interactive. We organise a sharing session each week. In this session, different teams will share their works with the audience, for example, our design department colleagues will share their drawings or models, and our planning department colleagues will choose one or two new projects and share the conceptual designs and planning ideas therein with other staff. We also encourage our junior staff to participate in these sharing sessions which will, in our Directors’ view, broaden their horizons for their career.

Every year, we will second our professional staff to different offices so that they could have the opportunity to exchange ideas and work in a different working environment in order to enhance the professional exposure of our staff.

Employees’ benefit

We provide a competitive package of remuneration to our staff. It is our Group’s policy to revise the salary of our staff annually with reference to the salary surveys conducted by human resource consulting firms and an industry association, being the Association of Architectural Practices in Hong Kong as a guideline. We also carry out research and analysis on the level of salary.

CREDIT RISK AND CASH FLOW MANAGEMENT

Our credit risk and cash flow management controls are implemented by a team of seven staff from our accounting department and contract department, three of whom are professionally qualified or conferred as cost engineer (造價工程師) in the PRC by the Hebei Province Title Reform Leading Group Office (河北省職稱改革領導小組辦公室), accountant in the PRC by the Ministry of Finance and medium-level accounting professional (中級會計) in the PRC by the Personnel Department of Guangdong Province (廣東省人事廳), and monitored by our chief financial officer, Ms. Yu Wing Sze. For details on her experience and qualification, please refer to the section headed “Directors, Senior Management and Staff” in this prospectus.

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We principally obtain business by invited tendering. All of the invitations to tender received by us will be reviewed by our management, details of which are set out in the section headed “Business — Operating Procedures — Invitation to tender” in this prospectus. In the event that the invitation to tender is from a new client, our contract department will conduct a preliminary evaluation to assess the creditworthiness of the new client through obtaining information from public sources and our contacts in the industry in order to assist our management in deciding whether to accept the invitation. If the project is awarded to us eventually, our contract department and accounting department will then conduct a client acceptance evaluation to assess its credit quality with reference to a number of factors, including its corporate background, reputation, financial position and industry performance. Credit limit and credit period in respect of the project will be assigned upon completion of the client acceptance evaluation.

After we are awarded a project, either from existing or new client, our contract department and the respective project team, monitored by our accounting department, will establish (i) an invoicing schedule setting out the approximate time to issue invoice according to the draft work plan and milestone payment schedule as stipulated in the service contract; and (ii) a budget cost plan setting out the relevant details including the budget time costs, resources allocation and sub-consultant fee estimation. Upon the completion of a particular stage of work or when the project status reaches the milestone to issue invoice as agreed on the service contract, our project team will inform our accounting department to issue an invoice to our client. Our accounting department will also review the status of any outstanding invoices and the status of the settlement of such project and/or client alongside with our project team. In order to minimise the credit risk, our contract department and accounting department will jointly remind the client of any outstanding invoices and is responsible for monitoring the procedures to ensure that follow-up action is taken to recover overdue debts. We generally offer credit period of 90 days and up to 180 days to our clients. The invoicing schedule will be updated every month which is from time to time inspected by our project directors. In order to minimise the credit risk our accounting department will evaluate the credit limits of clients regularly.

In general, our clients settle the payment in full within the stipulated period. For each of the two years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, our debtors’ turnover days were 50.3 days, 96.6 days and 88.2 days, respectively, which were consistent with our general credit period offered to our clients.

In addition to the abovementioned credit policies, we have also implemented certain measures to minimise the effect of cash flow mismatch.

On the operational level, we keep track of our project progress and time and costs involved through reporting and time sheet policies. We require our staff to fill in daily time sheet, stipulating the work carried out and time spent by them, on that particular day. Every week, our project leaders will report to our Directors the progress of the projects and time spent on each project during the weekly meeting so that our Directors will be able to keep track of the time and costs incurred to the projects. In the event that there are any time and costs overruns, our Directors will look into the issue and make necessary arrangements to reallocate the resources to avoid further overrun.

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On the managerial level, the accounting department will prepare a group-based cash flow forecast after taking into account the expected settlement of invoices, monthly expenses of our Group. Our Directors will have monthly meeting to review the status of outstanding invoice and settlement and the forecast cash flow.

Based on the above, our Directors consider, and the Sole Sponsor concurs, that our Group's credit risk and cash flow management measures are adequate and effective for our current operations.

QUALITY CONTROL AND RISK MANAGEMENT

Our quality control measures are in two-fold, being on the managerial level and the operational level.

On the managerial level, our executive Directors and senior management are familiar with the operations of our Group, and are responsible for the quality control measures and supervision of our operations in all aspects, including cooperation between our departments and offices in different locations. For more information about our executive Directors and senior management, please refer to the section headed "Directors, Senior Management and Staff" in this prospectus.

On the operational level, all our works, such as reports and drawings are reviewed by our associate director/senior associate or staff with a higher grade before they are issued to our clients or the relevant regulatory authorities for approval.

Further, we require our staff to fill in daily time sheet, stipulating the work carried out and time spent by them, on that particular day. The data in these daily time sheets will be entered into our internal computer system for our analysis and record. This system serves the following purposes:

- (a) to analyse the capacity of our Group to engage in new projects;
- (b) to avoid uneven distribution of work; and
- (c) to observe the performance and productivity of each staff, and consider whether particular training to him/her is necessary.

We recognise the importance of providing quality service to our client. We aim not only to complete the work in accordance with the scope as set out in the service contract, but also to meet our clients' expectations. As such, our Directors regularly meet with our clients, whether previous or existing, to evaluate the quality of our service provided.

Our major operating subsidiary, LWK Hong Kong, has obtained the certificate of ISO 9001 in compliance with the requirements of ISO 9001:2008 quality management system standard, which is applicable to the provision of architectural consultancy services for Hong Kong projects. This recognition shows that our quality control measures are in line with international standards.

MARKET AND COMPETITION

The competitive environment of the architectural service industry in Hong Kong is intense and fierce. On the other hand, the construction industry in the PRC is expanding rapidly due to the rapid urbanisation rate. As such, the competitive environment of the architectural service industry in the PRC is less intense. For more information about the market of the architectural service industry in Hong Kong and the PRC, please refer to the section headed “Industry Overview” in this prospectus.

We consider that our competitive advantages have contributed to our success. As such, even though the competition within the architectural service industry in Hong Kong and the PRC will continue to be fierce and intense in the future, we are confident that we are able to withstand the intense competition with our competitive advantages. For further details of our competitive advantages, please refer to the paragraph headed “Our Competitive Advantages” in this section above.

We consider that the entry barrier of the architectural services industry in both Hong Kong and the PRC is high. For details of the entry barrier in both Hong Kong and the PRC, please refer to the two sections headed “Industry Overview — Architectural Service Industry in Hong Kong — Entry barrier of the architectural service industry in Hong Kong” and “Industry Overview — Architectural Service Industry in the PRC — Entry barrier of the architectural service industry in the PRC”, respectively in this prospectus. In addition, our major operating subsidiaries, LWK Hong Kong is placed in the Band 1 List of Consultants of AACSB and LWK Yiheng possesses the Grade A Qualification. For details of the minimum entry criteria of Band 1 List of Consultants of AACSB and Grade A Qualification, please refer to the two sections headed “Industry Overview — Architectural services in Hong Kong — Classification of architectural service providers in Hong Kong” and “Regulatory Overview — The PRC — Laws and Regulations Relating to the Industry — Construction Engineering Design Qualification” respectively in this prospectus.

INSURANCE

We maintain proper insurance policies for our operations, which cover risks including loss as a result of damage to office properties, business interruptions and money protection. We also hold insurance policies relating to employee’s compensation under the PRC laws. We review these insurance policies from time to time to ensure that the coverage is adequate. For each of the two years ended 31 December 2012 and six months ended 30 June 2013, our insurance expenses were approximately HK\$2.5 million, HK\$3.2 million and HK\$2.1 million, respectively.

We have also taken out professional indemnity insurance to cover our potential liability arising from the claims against us under the service contracts. In general, one of the common pre-qualifications of tendering is that the coverage of the professional indemnity insurance must exceed a certain amount. As such, we consider that the coverage of our professional indemnity insurance is sufficient to meet such criteria for tendering purposes.

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Having regard to the current operations of our Group and the prevailing industry practice, our Directors are of the view that the level of insurance coverage maintained by our Group (i) is typical and in line with the industry practice; and (ii) is adequate for our current operations.

Social Insurances and Housing Provident Fund

We are required, for the benefit of our employees, to make social insurance contributions (which include contributions to various funds in the PRC, such as pension insurance, medical insurance, unemployment insurance, occupation injuries and maternity insurance) under the relevant PRC laws and regulations. We currently make social insurances contributions, including but are not limited to, pension insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing provident fund contributions for our employees in compliance with the relevant PRC laws and regulations.

According to the laws and regulations of the PRC, an enterprise established in the PRC is also required to make contributions to a government-administered housing provident fund for our employees. As advised by our PRC Legal Advisers, we have complied with all relevant labour laws and social welfare laws and regulations in the PRC in all material respects.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered four domain names, five trademarks in Hong Kong and three trademarks in the PRC.

Information relating to the intellectual property rights of our Company is set out in the paragraph headed “B. Further Information about our Business — 2. Intellectual property rights” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we had not received any claims against our Group for infringement of any trademarks nor was our Group aware of any pending or threatened claims in relation to such actual or potential infringement.

As at the Latest Practicable Date, we were not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period, there had not been any pending or threatened claims made against us, nor have there been any claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

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PROPERTY

We do not own any real property as at the Latest Practicable Date. The following table sets out the addresses, approximate gross floor areas and the terms of the properties leased by us as at the Latest Practicable Date:

No.	Address	Usage	Approximate gross floor area (Sq. ft.)	Term	Monthly rent
1.	15/F, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong	Office	18,305	From 1 March 2011 to 28 February 2014	HK\$466,777.50 ^(Note 1)
2.	Suite 604, 6/F, South Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong	Office	2,623	From 21 October 2013 to 20 October 2016	HK\$91,805.00 ^(Note 1)
3.	Unit D on 19/F, Vigor Industrial Building Phase I, No. 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong	Warehouse	2,752	From 13 July 2013 to 12 July 2015	HK\$15,500.00 ^(Note 4)
4.	Room 2105-2107, 21/F, Block A, Aerospace Skyscraper Building, southeast side of the intersection between Shenan Road and Xinzhou Road (4109 Shenan Road), Futian District, Shenzhen, Guangdong, the PRC	Office	4,425	From 1 January 2013 to 31 December 2014	RMB78,112.80 ^(Note 2)
5.	Room 2101-2103, 2108-2111, 21/F, Block A, Aerospace Skyscraper Building, southeast side of the intersection between Shenan Road and Xinzhou Road (4109 Shenan Road), Futian District, Shenzhen, Guangdong, the PRC	Office	10,998	From 1 January 2013 to 31 December 2014	RMB194,128.70 ^(Note 2)

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No.	Address	Usage	Approximate gross floor area (Sq. ft.)	Term	Monthly rent
6.	Room 1106, 11/F., Block A, Aerospace Skyscraper Building, southeast side of the intersection between Shenan Road and Xinzhou Road (4109 Shenan Road), Futian District, Shenzhen, Guangdong, the PRC	Office	573	From 1 January 2013 to 31 December 2014	RMB7,718.00 ^(Note 2)
7.	Room 1107, 11/F., Block A, Aerospace Skyscraper Building, southeast side of the intersection between Shenan Road and Xinzhou Road (4109 Shenan Road), Futian District, Shenzhen, Guangdong, the PRC	Office	2,291	From 1 January 2013 to 31 December 2014	RMB30,856.00 ^(Note 2)
8.	Room 1108, 11/F., Block A, Aerospace Skyscraper Building, southeast side of the intersection between Shenan Road and Xinzhou Road (4109 Shenan Road), Futian District, Shenzhen, Guangdong, the PRC	Office	650	From 1 January 2013 to 31 December 2014	RMB8,757.00 ^(Note 2)
9.	Room 1109, 11/F., Block A, Aerospace Skyscraper Building, southeast side of the intersection between Shenan Road and Xinzhou Road (4109 Shenan Road), Futian District, Shenzhen, Guangdong, the PRC	Office	1,300	From 1 January 2013 to 31 December 2014	RMB17,513.00 ^(Note 2)
10.	Room 1110, 11/F., Block A, Aerospace Skyscraper Building, southeast side of the intersection between Shenan Road and Xinzhou Road (4109 Shenan Road), Futian District, Shenzhen, Guangdong, the PRC ^(Note 4)	Office	1,300	From 1 January 2013 to 31 December 2014	RMB17,513.00 ^(Note 2)

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No.	Address	Usage	Approximate gross floor area (Sq. ft.)	Term	Monthly rent
11.	Room 907-909, 9/F., Block A, Aerospace Skyscraper Building, southeast side of the intersection between Shenan Road and Xinzhou Road (4109 Shenan Road), Futian District, Shenzhen, Guangdong, the PRC	Office	4,203	From 4 April 2013 to 31 December 2014	RMB66,387.00 ^(Note 2)
12.	Room 24C03, North Tower, Suntec Plaza, No. 197 Guangzhou Da Dao Road Bei, Yuexiu District, Guangzhou, Guangdong, the PRC	Office	2,656	From 1 October 2013 to 30 June 2014	RMB23,439.00 ^(Note 2)
13.	Room 2103, 21/F., Oriental Plaza, No.11 Zidonglou Street, Dongda street, Chengdu, the PRC	Office	1,074	From 1 February 2013 to 31 January 2014 From 1 February 2014 to 31 January 2015 From 1 February 2015 to 31 January 2016 From 1 February 2016 to 31 January 2017 From 1 February 2017 to 31 January 2018	RMB9,980.00 ^(Note 2) RMB10,578.80 ^(Note 2) RMB11,213.53 ^(Note 2) RMB11,886.18 ^(Note 2) RMB12,599.75 ^(Note 2)
14.	Room 3303, 3305, 3307, 3309, 3311, 3313 and 3315, No. 121-3 Nanjing South Street, Heping District, Shenyang City, the PRC	Office	1,292	From 20 June 2013 to 19 June 2014	RMB61,250.00 ^(Note 2)
15.	Room 3312, 3316 and 3318, No. 121-3 Nanjing South Street, Heping District, Shenyang City, the PRC	Office	646	From 20 June 2013 to 19 June 2014	RMB26,250.00 ^(Note 2)
16.	Room 120, Block 2, Huan Zhong Building, No, 175 Xian Yang South Road, Xu Hui District, Shanghai, the PRC	Office	215	From 1 August 2012 to 31 July 2015	RMB1,272 ^(Note 2)

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Notes:

1. The monthly rent is inclusive of government rent and property tax but exclusive of rate, management fee and other outgoings.
2. The monthly rent is exclusive of the management fee and other outgoings.
3. According to the tenancy agreement dated 7 January 2013 entered into between the landlord and LWK Yiheng, Mr. Wang was named as the tenant of the property and registered under the relevant PRC authorities. Pursuant to a written confirmation dated 23 July 2013 jointly issued by the landlord, LWK Yiheng and Mr. Wang, it is confirmed that (i) the property is occupied by LWK Yiheng for office use; (ii) LWK Yiheng has been paying the rent, management fee and all other outgoings since the commencement date of the tenancy agreement; and (iii) the landlord, LWK Yiheng and Mr. Wang have agreed to file an application to the relevant authorities to modify the registration details of the tenancy agreement in accordance with the relevant laws and regulations.
4. The monthly rent is inclusive of government rent, rate, property tax and management fee but exclusive of other outgoings.

LICENSES AND PERMITS

Our Directors confirmed that, and each of the legal advisers of our Company as to Hong Kong laws, PRC laws and Macau laws, respectively, advised that, save as disclosed in the paragraphs below, our Group had obtained all necessary licences, approvals and permits, which were required to carry on our Group's activities in Hong Kong, the PRC and Macau, respectively, during the Track Record Period.

Grade A Qualification of LWK Yiheng

On 2 April 2011, LWK Yiheng became a sino-foreign joint venture, details of which are set out in the section headed "History, Reorganisation and Group Structure — Our Major Operating Subsidiaries — LWK Yiheng (PRC)" in this prospectus. Pursuant to Notice (No. Jian Shi 229 [2007]) issued by the Ministry of Construction in relation to the approval of qualification due to change of business type, reorganisation or separation of a construction engineering enterprise (建設部關於建設工程企業發生改制、重組、分立等情況資質核定有關問題通知(建市[2007]229號)), LWK Yiheng had to apply and obtain re-approval of the Grade A Qualification from MOHURD when LWK Yiheng changed its business type to a sino-foreign joint venture.

LWK Yiheng filed the first re-approval application of the Grade A Qualification after changing its business type in April 2011. Our Company was not aware that MOHURD did not process the first re-approval application successfully due to insufficient documents, which was published in August 2012. While we appointed our PRC Legal Advisers in relation to the laws of the PRC for the Listing purposes, our PRC Legal Advisers identified the abovementioned in March 2013. LWK Yiheng then furnished supplemental documents for the re-approval of the Grade A Qualification promptly and the re-approval application was accepted on 29 May 2013 by MOHURD. Pursuant to Jian Ban notice of acceptance no. 31 [2013] issued by the general office of MOHURD on 2 August 2013 in relation to the opinion about the examination of the qualification of construction engineering enterprise (住房和城鄉建設部辦公廳8月2日公佈的《關於建設工程企業資質審查意見的公示》(建辦受理函[2013]31號)), (i) LWK obtained the re-approval of the Grade A Qualification; and (ii)

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granted by MOHURD, the re-approved Grade A Qualification would become effective after the expiry of the publicity period from 5 August 2013 to 16 August 2013. 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.

According to the Regulations on Qualification Management^(Note), a design qualification shall be deregistered and the qualification licensing authority shall announce the invalidity of such design qualification certificate under any of the following circumstances:

- (i) the term of validity of the design qualification certificate has expired and no renewal application is filed in accordance with the relevant PRC laws;
- (ii) the enterprise terminates (ceases to conduct business) in accordance with the relevant PRC laws;
- (iii) the design qualification certificate has been revoked, withdrawn or suspended in accordance with the relevant PRC laws; or
- (iv) other circumstances as specified by the relevant PRC laws or regulations.

Note: For details please refer to the section headed “Regulatory Overview — The PRC — A. Laws and regulations relating to the industry” in this prospectus.

The Company noted the fact that:

- (i) no announcement was made by the Department of Housing and Urban-Rural Development of Guangdong Province (廣東省住房和城鄉建設廳) stating that the Grade A Qualification of LWK Yiheng was invalid;
- (ii) during the process of the re-approval application, the Grade A Qualification of LWK Yiheng was within its term of validity;
- (iii) during the process of the re-approval application, the Grade A Qualification of LWK Yiheng was not revoked, withdrawn or suspended in accordance with the relevant PRC laws;
- (iv) during the process of the re-approval application, LWK Yiheng has been conducting its business within the business scope of its business licence and its Grade A Qualification;
- (v) during the process of the re-approval application, LWK Yiheng did not fall into any of the abovementioned circumstances as specified by the Regulations on Qualification Management.

The management of the Group understood that the Grade A Qualification of LWK Yiheng remained valid and effective during the re-approval application period and LWK Yiheng was eligible to undertake relevant PRC projects within the original term of validity, commencing from 12 March 2010 and expiring on 12 March 2015. Such an understanding was confirmed by the Company's PRC Legal Advisers and during the interview with the Department of Housing and Urban-Rural Development of Guangdong Province on 27 June 2013. As advised by our PRC Legal Advisers, (i) the officer consulted in the interview is competent to represent the Department of Housing and Urban-Rural Development of Guangdong Province, and (ii) the Department of Housing and Urban-Rural Development of Guangdong Province is competent to provide such confirmation as it is the preliminary examination department for the re-approval application of Grade A Qualification and the direct administrative authority for the architectural design companies in the Guangdong Province. Accordingly, as advised by our PRC Legal Advisors, LWK Yiheng is unlikely to be fined by MOHRUD or the Department of Housing and Urban-Rural Development of Guangdong Province for continuing to undertake PRC architectural work before the re-approval of its Grade A Qualification was granted.

INTERNAL CONTROL

Our Group has maintained an internal control system into its organisational structure. We have established an internal control department to review and monitor our on-going compliance of the GEM Listing Rules and the relevant Hong Kong and PRC laws and regulations and report to the audit committee directly. For details on the internal control department, please refer to the paragraph headed "Regulatory Compliance — Actions to ensure future compliance" in this section.

In preparation of the Listing, we have engaged an independent external consulting firm as our internal control adviser (the "**Internal Control Adviser**") in February 2013 to undertake a detailed evaluation on the effectiveness of our internal control system on internal control environment, risk assessment, internal control activities, information and communication, anti-fraud procedures, financial reporting and disclosure controls, income management, costs and expenses, human resources and remuneration, financial management and information technology. Our Internal Control Adviser mainly engages in providing a broad range of corporate governance and risk advisory, internal audit, and internal controls regulatory compliance services to its clients including listed companies and companies preparing for listing in Hong Kong. The key members of the engagement team from our Internal Control Adviser are qualified accountants and internal auditors.

Our Internal Control Adviser completed the first review and follow-up review of our internal control system in March 2013 and July 2013, respectively. According to the results of the follow up review by the Internal Control Adviser on 11 July 2013, we have adopted the internal control measures and rectified the weaknesses in our internal control system as recommended by the Internal Control Adviser. The details of the major findings

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and recommendations provided by the Internal Control Adviser and status of implementation by our Group as at the Latest Practicable Date are as follows:

Major Findings	Recommendations	Status of Implementation
<ul style="list-style-type: none"> • Our Group did not have a comprehensive office handbook, in particular, the code of ethics and code of conduct. 	<ul style="list-style-type: none"> • Our Group should set up a comprehensive office handbook and require all staff to acknowledge the receipt of office handbook and to comply with the code of ethics and code of conduct. 	<ul style="list-style-type: none"> • Our Group has made improvements in the office handbook and in particular, the code of conduct and principles of work ethics have been added to it.
<ul style="list-style-type: none"> • Our Group's mechanism of information disclosure should be improved. 	<ul style="list-style-type: none"> • Our Group should establish an information disclosure system, including investor relations management mechanism and a comprehensive corporate communication mechanism. 	<ul style="list-style-type: none"> • Our Group has adopted an information disclosure policy to enhance our investor relations practices and corporate communication.
<ul style="list-style-type: none"> • Our Group's anti-fraud mechanism should be enhanced to satisfy the requirements of a listed company. 	<ul style="list-style-type: none"> • Our Group should consider establishing independent channels of monitoring fraud, appropriate handling approach and reporting mechanisms and monitoring procedures. 	<ul style="list-style-type: none"> • The principles when dealing with fraud and relevant reporting mechanisms have been added to our office handbook.
<ul style="list-style-type: none"> • Our Group's client relationship management had to be improved. 	<ul style="list-style-type: none"> • Our Group should improve the client relationship management system, with clear guidelines on development, assessment and selection of clients. 	<ul style="list-style-type: none"> • Our Group has revised our preliminary evaluation and client acceptance evaluation to assess our clients, details of which are set out in the paragraph headed "Credit Risk and Cash Flow Management" above in this section.

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Major Findings	Recommendations	Status of Implementation
<ul style="list-style-type: none"> • Our Group's information technology management system had to be updated. 	<ul style="list-style-type: none"> • Our Group should update the information technology management system. 	<ul style="list-style-type: none"> • Our Group has updated computer and information system user guidelines, particularly on information safety management, software management, internet management, data backup.
<ul style="list-style-type: none"> • Our Group's sub-consultant management system had to be improved. 	<ul style="list-style-type: none"> • Our Group should maintain proper records on the assessment of sub-consultants and request sub-consultants to provide written quotation and compile a comparison list on the fees of different sub-consultants. 	<ul style="list-style-type: none"> • Our Group has updated evaluation forms and quotation approval forms on sub-consultants accordingly and updated the list of qualified sub-consultants.
<ul style="list-style-type: none"> • Our Group had no offsite data backup and recovery test on data backup. 	<ul style="list-style-type: none"> • Our Group should improve data backup management measures to execute offsite data backup and carry out regular recovery tests on data backup. 	<ul style="list-style-type: none"> • Our Group has executed offsite data backup and carried out recovery tests on data backup.

Our Internal Control Adviser had not identified any further issues on our internal control system in its follow-up review in July 2013.

Having considered that (i) the professional nature of our business; (ii) the regulatory environments of the architectural service industry in Hong Kong and the PRC; (iii) the establishment of the internal control department; (iv) the past non-compliance incidents of our Group; and (v) the major findings and recommendations provided by the Internal Control Adviser, the Directors consider, and the Sole Sponsor concurs, that our Group's enhanced internal control measures are adequate and effective in respect of the compliance with Rule 6A.15(5) of the GEM Listing Rules.

REGULATORY COMPLIANCE

Our Directors confirmed that, save as disclosed in the paragraphs below, our Group had complied with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities which may arise as a result of any non-compliance of our Group on or before the date on which the Placing becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “F. Other Information — 1. Tax indemnity and indemnity relating to the compliance matter” in Appendix IV to this prospectus.

During the Track Record Period and as at the Latest Practicable Date, our Group had been involved in certain non-compliance matters, details of which are summarized in the following table:

Details of the non-compliance	Maximum penalty for each instance of non-compliance and whether provisions have been made	Reasons for the non-compliance
<p>1. LWK Guangzhou Failed to make the first capital contribution within 90 days after establishment as required under the relevant laws of the PRC.</p>	<p>Delay of first capital contribution will render the approval certificate for the establishment of LWK Guangzhou invalid.</p> <p>As advised by our PRC Legal Advisers, delay in the first capital contribution does not affect the subsistence of LWK Guangzhou given that the time of delay in the said capital contribution was short and LWK Guangzhou had already passed the 2012 annual inspection for wholly foreign-owned enterprise (外商投資企業聯合年檢). Hence, no provisions have been made.</p>	<p>Due to unintended and inadvertent omission of the relevant officers who had been responsible for arranging capital contribution to LWK Guangzhou as a result of their inadequate understanding of the relevant rules and practices in the PRC and lack of proper system and control to keep track of our compliance status.</p>

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Directors or senior management involved in the non-compliance	Rectification actions and status as of the Latest Practicable Date	Measures to prevent any future breaches and ensure on-going compliance
<p>Mr. Liang, our executive Director, was the director of LWK Guangzhou at the material time.</p>	<p>According to the capital verification report issued by a PRC accounting firm dated 9 March 2013, 15.65% of the registered capital of LWK Guangzhou had been paid up by LWK Hong Kong on 28 February 2013.</p> <p>LWK Guangzhou had already passed the 2012 annual inspection for wholly foreign-owned enterprise (外商投資企業聯合年檢) in 2013.</p>	<p>We have engaged an independent external consulting firm as our Internal Control Adviser to undertake an evaluation of our internal control procedures and to recommend action plans for improvements. Since July 2013, our internal control measures, policies and procedures have been codified in our new internal operational manual, which have been adopted and implemented by us, after taking into account of the comments from our internal control adviser. For details on our actions to ensure future compliance please refer to the paragraph headed “Regulatory Compliance — Actions to ensure future compliance” below in this section.</p>

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Details of the non-compliance	Maximum penalty for each instance of non-compliance and whether provisions have been made	Reasons for the non-compliance and tax position in respect of the relevant period
<p>2. Failure to lay the audited accounts made up to a date falling not more than nine months under section 122 of the Companies Ordinance.</p> <p>(“Accounts-related Non-Compliance Matters”).</p> <p>LWK Hong Kong Audited accounts for the financial years ended 31 March 1996, 2002, 2003 and 2009 and the financial period from 1 April 1996 to 31 August 1996 (both days inclusive) were prepared but not laid at the annual general meeting within nine months.</p>	<p>Fine of HK\$300,000 and 12 months of imprisonment.</p> <p>Since our legal advisors as to Hong Kong laws, after consulting and considering the legal opinion from a Hong Kong barrister, suggested that there is no financial impact to our Group, no provision has been made in our Group’s financial statements. Hence, no provisions have been made.</p>	<p>Due to unintended and inadvertent omission of the relevant officers who had been responsible for company secretarial and corporate administrative matters as a result of their inadequate understanding of the relevant regulatory requirements and lack of proper system and control to keep track of our compliance status.</p> <p>Specific reasons for each incident of non-compliance are as follows:</p> <p>LWK Hong Kong LWK Hong Kong was incorporated on 19 October 1995 but only commenced its business operation in September 1996. The directors considered the combination of the accounts for the period from the incorporation to 31 March 1996 with the accounts for the year ended 31 March 1997 would reflect the real picture of the business for the abovementioned period. Accordingly, the first audited accounts covered the period from 1 September 1996 to 31 March 1997 and were laid in an annual general meeting on 15 December 1997.</p> <p>The then auditors, in general, would commence their auditing works on LWK Hong Kong in or around September, such auditing works would take around one month to complete and the auditors would sign off the audited accounts in or around November. In August 2002, there was a change of the accounting manager of LWK Hong Kong. Although there was proper handing-over by the resigned accounting manager to the new accounting manager, the new accounting manager still took some time to get himself familiarized with the business of LWK Hong Kong. Accordingly the auditors took more time to finish their auditing works. The audited accounts for the year ended 31 March 2002 was only signed off by the auditors on 30 January 2003, and therefore, the audited accounts was only laid and approved in a general meeting on 30 January 2003.</p>

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Details of the non-compliance	Maximum penalty for each instance of non-compliance and whether provisions have been made	Reasons for the non-compliance and tax position in respect of the relevant period
		<p>For the year ended 31 March 2003, LWK Hong Kong made a loss, the then directors were under the impression that the Inland Revenue Department of Hong Kong (the “IRD”) would allow the extension of the due date for filing profits tax return under such circumstances. As such, the audit was completed later than usual and the audited accounts for the year ended 31 March 2003 was only signed off on 14 February 2004. Our Company laid the relevant audited accounts promptly in a general meeting on the same day.</p>
		<p>In 2009, LWK Hong Kong changed its accounting software, accordingly, the auditors had to audit both the old and the new accounting softwares. Though the auditors commenced their auditing works in August, around a month earlier than they usually did, the auditing time they finally spent on was longer than expected. The audited accounts for the year ended 31 March 2009 were only signed off by the auditors on 5 February 2010, and were only laid and approved in a general meeting on 5 February 2010.</p>
		<p>Despite the non-compliance, the profits tax in respect of the relevant years were paid to the IRD within the prescribed timeframe.</p>

BUSINESS

Details of the non-compliance	Maximum penalty for each instance of non-compliance and whether provisions have been made	Reasons for the non-compliance and tax position in respect of the relevant period
<p>LWK Conservation Audited accounts for the six financial years ended 31 December 2011 (the “Six Financial Years”) were not laid at the annual general meetings within nine months.</p>		<p>LWK Conservation LWK Conservation had no business activities from the date of incorporation (i.e. 12 June 2006) to about September 2010. The IRD issued a letter to LWK Conservation dated 14 July 2010, which (i) confirmed LWK Conservation had not commenced its business or had not earned any assessable profits; and (ii) required LWK Conservation to report to the IRD once it had earned any assessable profit. LWK Conservation started to conduct business after September 2010 and did not record any assessable profits for the two years ended 31 December 2011. Due to inadequate understanding of the relevant regulatory requirements, the then directors of LWK Conservation took in account the letter issued by the IRD and was not aware of the requirements under section 122 of the Companies Ordinance. As such, the directors were under the impression that no audited accounts had to be prepared and it was not necessary to lay its audited accounts in the annual general meetings of LWK Conservation.</p>

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Details of the non-compliance	Maximum penalty for each instance of non-compliance and whether provisions have been made	Reasons for the non-compliance and tax position in respect of the relevant period
		<p>LWK Conservation recorded a net profit and assessable profit for the financial year ended 31 December 2012. As such, audited accounts for the Six Financial Years and the financial year ended 31 December 2012 were prepared in 2013 and laid in the extraordinary general meeting on 5 September 2013. Accordingly, the audited accounts for the financial year ended 31 December 2012 were laid within nine months under section 122 of the Companies Ordinance.</p>
		<p>On 15 August 2013, the tax representative of LWK Conservation informed the IRD that LWK Conservation derived assessable profits in the financial year ended 31 December 2012 by submitting the tax computations and audited accounts for the three financial years of 31 December 2012 to the IRD and requesting the IRD to issue a tax return. The IRD issued tax returns for the three financial years ended 31 December 2012 to LWK Conservation on 8 October 2013 and such tax returns were submitted to the IRD within the required time frame on 31 October 2013. According to the tax returns and tax computation prepared by the tax representative, LWK Conservation generated an adjusted loss for each of the two financial years ended 31 December 2011 respectively, reconfirming LWK Conservation had no assessable profits for the corresponding years and fulfilled the instruction on the letter issued by the IRD dated 14 July 2010.</p>

Directors or senior management involved in the non-compliance

Mr. Liang and Mr. Fu, our executive Directors, were the directors of LWK Hong Kong and LWK Conservation at the material time.

Rectification actions and status as of the Latest Practicable Date

Audited Accounts

Our then Directors of LWK Conservation immediately arranged for audit to the Six Financial Years ended 31 December 2011 by the certified public accountants firm in Hong Kong when it was discovered in late 2012. All audited accounts for the Six Financial Years have been prepared.

Failure to lay the audited accounts

The relevant audited accounts of LWK Hong Kong were subsequently laid in the relevant general meetings in a few months after the required time frame (i.e. within nine months) whereas audited accounts of the Six Financial Years of LWK Conservation were subsequently laid in September 2013. Our directors of LWK Hong Kong and LWK Conservation have applied to the Court of First Instance of the High Court of Hong Kong to extend the period for laying accounts in general meetings and/or by way of written resolutions pursuant to section 122 of the Companies Ordinance on 17 July 2013 and 24 September 2013, respectively. The hearing dates of LWK Hong Kong's application and LWK Conservation's application are fixed on 26 February 2014 and 18 December 2013 respectively, and as at the Latest Practicable Date, we were still in the process of obtaining the relevant court order. In this regard, our legal advisors as to Hong Kong laws, after consulting and considering the legal opinion from a Hong Kong barrister, are of the view as below.

(i) Likelihood to obtain court order

It is highly likely to obtain the court order for both LWK Hong Kong's application and LWK Conservation's application, on the basis that (a) the then shareholders were also the then directors and were conversant with the financial position of LWK Hong Kong and/or LWK Conservation and were not prejudiced by the non-compliance; (b) the inadvertence will be adequately explained to the satisfaction of the Court; and (c) there is mechanism now put in place to ensure compliance with section 122 of the Companies Ordinance.

Measures to prevent any future breaches and ensure on-going compliance

We had established an internal control department to review and monitor compliance of the GEM Listing Rules and the relevant Hong Kong laws and regulation, details of which set out in the paragraph headed "Regulatory Compliance — Actions to ensure future compliance" below in this section.

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Directors or senior management involved in the non-compliance	Rectification actions and status as of the Latest Practicable Date	Measures to prevent any future breaches and ensure on-going compliance
	<p data-bbox="624 368 970 395"><i>(ii) Imprisonment of the then directors</i></p> <p data-bbox="662 442 1038 944">It is unlikely for the then directors to be prosecuted because (a) non-compliance by LWK Hong Kong, and non-compliance by LWK Conservation for the audited accounts for the years ended 31 December 2006 to 2008 have already been out of the limitation period of three years; and (b) from the statistics available to the Court, the chance of prosecution is not high, in particular, there had been only one prosecution of directors of the breach of section 122 of the Companies Ordinance since about 1985.</p> <p data-bbox="624 991 938 1019"><i>(iii) Financial impact on our Group</i></p> <p data-bbox="662 1066 1038 1608">The penalty of fine applies only to the then directors of LWK Hong Kong or LWK Conservation rather than LWK Hong Kong or LWK Conservation. In addition, the relevant audited accounts of LWK Hong Kong and LWK Conservation have eventually been laid for approval and as to the best of the knowledge of our Directors, there is no monetary loss suffered by the then shareholders and/or directors of LWK Hong Kong and LWK Conservation as a result of the non-compliance. Therefore, there will be no financial impact to our Group.</p> <p data-bbox="624 1655 1038 1902">As such, our Directors are of the view that those non-compliance issues will be rectified within a short period after listing and we will disclose the progress of rectification in the quarterly, interim/annual reports and detailed explanation for any delay in rectification.</p>	

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Details of the non-compliance	Maximum penalty for each instance of non-compliance and whether provisions have been made	Reasons for the non-compliance
<p>3. Filing of annual returns and notice of the corporate particulars or changes thereof:</p> <p>(a) return of first directors and secretary (LWK Hong Kong: 1996);</p> <p>(b) notification of changes of secretary and directors (LWK Hong Kong: 1997);</p> <p>(c) notification of changes of secretary and directors (LWK Hong Kong: 1998, 2 counts in 2000);</p> <p>(d) annual return (LWK Hong Kong: 2000);</p> <p>(e) notification of resignation of secretary or director (LWK Hong Kong: 2000);</p> <p>(f) notification of change of secretary and director (appointment/cessation) (LWK Hong Kong: 2 counts in 2005, 2007);</p> <p>(g) notification of resignation of secretary and director (LWK Hong Kong: 2007);</p> <p>(h) statement of financial assistance for the acquisition of shares of LWK Hong Kong (LWK Hong Kong: 2007); and</p> <p>(i) notification of change of particulars of secretary and director (LWK Hong Kong: 2 counts in 2009, 2010; LWK Conservation: 2009, 2010).</p> <p>after the time specified in the Companies Ordinance (“General Non-Compliance Matters”).</p>	<p>(a) Fine of HK\$5,000 and a daily default fine of HK\$200 for continued default.</p> <p>(b) Fine of HK\$10,000 and a daily default fine of HK\$300 for continued default.</p> <p>(c) Fine of HK\$10,000 and a daily fine of HK\$300 for continued default.</p> <p>(d) Fine of HK\$50,000 and a daily fine of HK\$700 for continued default.</p> <p>(e) Fine of HK\$10,000 and a daily fine of HK\$300 for continued default.</p> <p>(f) Fine of HK\$10,000 and a daily fine of HK\$300 for continued default.</p> <p>(g) Fine of HK\$10,000 and a daily fine of HK\$300 for continued default.</p> <p>(h) Fine of HK\$50,000 and a daily default fine of HK\$1,300 for continued default.</p> <p>(i) Fine of HK\$10,000 and a daily fine of HK\$300 for continued default.</p> <p>As to the non-compliance of late filings relating to company secretarial matters with the Companies Registry, although the discretion to prosecute falls entirely on the Companies Registry and the Companies Ordinance specifies the relevant level of fines, we understand from our legal advisers as to Hong Kong laws that the Companies Registry does not prosecute each and every case of late filings or levy penalties. As advised by our legal advisers as to Hong Kong laws, even if the Companies Registry chooses to prosecute the relevant Hong Kong subsidiaries, with reference to the daily penalty rate imposed by the Court at their discretion for similar breaches in the past, the risk of imposing the aggregate penalties of more than HK\$1,000,000 is a low one. Therefore, our Directors consider such amount is not material to our Group’s combined financial statements. In addition, our Controlling Shareholders have given an indemnity in favour of our Group in this connection. Accordingly, no provision for the penalties has been made by our Directors for the preparation of the financial information. Hence, no provisions have been made.</p>	<p>Due to unintended and inadvertent omission of the relevant officers who had been responsible for company secretarial and corporate administrative matters as a result of their inadequate understanding of the relevant regulatory requirements and lack of proper system and control to keep track of our compliance status.</p>

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Directors or senior management involved in the non-compliance	Rectification actions and status as of the Latest Practicable Date	Measures to prevent any future breaches and ensure on-going compliance
<p>Mr. Liang and Mr. Fu, our executive Directors, were the directors of LWK Hong Kong and LWK Conservation at the material time.</p>	<p>As at the Latest Practicable Date, LWK Hong Kong and LWK Conservation have already filed with the Hong Kong Companies Registry all relevant prescribed forms and/or notices in respect of the General Non-Compliance Matters, notwithstanding after the time specified in the Companies Ordinance. On 11 July 2013, LWK Hong Kong and LWK Conservation wrote to the Hong Kong Companies Registry seeking confirmation as to whether action will be taken against LWK Hong Kong and their then officers in relation to the General Non-Compliance Matters.</p> <p>On 19 August 2013, the Hong Kong Companies Registry replied it would not on its own initiative confirming that no action would be taken against LWK Hong Kong and LWK Conservation.</p> <p>As at the Latest Practicable Date, there had not been any prosecution initiated against any subsidiaries of our Group or the then or current directors of the any subsidiaries of our Group, nor had any of them been subject to any fine relating to the General Non-Compliance Matters.</p>	<p>We had established an internal control department to review and monitor compliance of the GEM Listing Rules and the relevant Hong Kong laws and regulation, details of which set out in the paragraph headed “Regulatory Compliance — Actions to ensure future compliance” below in this section.</p>

Non-Compliance with the Companies Ordinance

We had not fully complied with the statutory requirements in sections 47F (which relates to filing the financial statement with the Companies Registry), 109 (which relates to filing the annual return with the Companies Registry), 122 (which relates to the tabling of audited accounts) and 158 (which relates to notifying the Companies Registry in relation to the registers of directors and secretaries) of the Companies Ordinance.

The then directors of LWK Hong Kong and LWK Conservation at that time may be subject to imprisonment sentence for 12 months, being the maximum penalty for committing each offence by breaching section 122 of the Companies Ordinance.

According to the experience of our legal advisers as to Hong Kong laws, the Registrar of Companies in Hong Kong does not prosecute all cases of non-compliances under the Companies Ordinance and if there is any prosecution, the chance of imposing imprisonment sentence is minimal. The main reason is because, as advised by our legal advisers as to Hong Kong laws, the purpose of section 122 of the Companies Ordinance is to protect the shareholders of a company by requiring the directors to table the audited accounts annually such that the shareholders would be aware of the financial position of the company annually. In stating so, since the then directors of LWK Hong Kong and LWK Conservation at that time were also the ultimate shareholders of LWK Hong Kong and LWK Conservation respectively, the failure of tabling the audited accounts did not prejudice the position of the shareholders of LWK Hong Kong and LWK Conservation. Further, the default was inadvertent and unlikely to be made again.

Our Group maintains sufficient qualified employees to fulfill the requirements of our major licenses/qualifications from the time to time. Even if the then directors of LWK Hong Kong and LWK Conservation may be subject to imprisonment, despite the remote likelihood, there will not be impact for us to meet the requirements for our major licenses/qualifications and therefore the suitability of Listing of our Company.

As at the Latest Practicable Date, there had not been any prosecution initiated against any subsidiaries of our Group or the then or current directors of the any subsidiaries of our Group, nor had any of them been subject to any fine relating to the Account-related Non-Compliance Matters and General Non-Compliance Matters.

Besides, section 351A of the Companies Ordinance provides that an offence under the Companies Ordinance may be prosecuted only if the prosecution is initiated (amongst others) within 3 years after the commission of the offence. Therefore, any non-compliances committed in 2009 or earlier are time-barred.

In light of the above, our legal advisers as to Hong Kong laws are of the view that the likelihood of imprisonment sentence being imposed on any of our Directors is low.

Actions to ensure future compliance

In preparation of the Listing, we have engaged an independent external consulting firm as our Internal Control Adviser to undertake an evaluation of our internal control system and to recommend action plans for improvements. Having considered the internal control review report prepared by our internal control advisers, our Board considers that it is necessary to enhance our current internal control measures in order to continuously improve our corporate governance and to prevent future non-compliance, we have adopted or will adopt upon the Listing the following measures:

- (i) We will establish an audit committee prior to the Listing, which will establish formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations.

- (ii) In November 2013, we established an internal control department led by our head of internal control, Mr. Ng Siu Kwan (“**Mr. Ng**”), who is responsible for monitoring and overseeing daily operation of our internal control matters. Mr. Ng was trained as a professional accountant and has extensive experience in auditing. Prior to joining our Group in February 2013, he worked in Deloitte Touche Tohmatsu since 2001 and left as a senior audit manager in 2012, during which his duties included conducting statutory audit as well as reviewing internal control and financial reporting procedures for companies in Hong Kong and overseas. Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Our Group will expand our internal control department by employing one or two more staff with auditing or relevant experience to assist Mr. Ng and conduct regular internal control reviews on our Group’s operations. In order to preserve the independence of our internal control function, Mr. Ng will report to the audit committee directly on a quarterly basis.

With the assistance of our external legal advisers as to Hong Kong and PRC laws and compliance adviser, our internal control department aims to ensure that our Group’s operations are in compliance with the applicable laws, rules and regulations. It will conduct regular internal control reviews on our operations and recommend remedial plans to our audit committee, which will then advise our Board on the implementation of any remedial plans should there be any internal control deficiencies. Our Board will make final decisions on the implementation of the remedial plans. To ensure all the remedial plans are implemented, our internal control department will follow up and monitor the implementation and report to the audit committee about the progress and results of the remedial plans. Any material internal control failings, weaknesses or deficiencies identified during review process and relevant follow up or remedial measures (if applicable) taken by our Group will be disclosed in our annual report upon Listing.

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Our internal control department have adopted various internal control review measures, including (i) reviewing the table prepared and updated by our finance department and human resources and administration department which sets out the deadlines for statutory filings or payment submissions under the Companies Ordinance, Inland Revenue Ordinance or any other relevant laws and regulations in Hong Kong and the PRC to ensure all such filings or submissions are made in a timely manner; and (ii) reviewing our internal operational manual and any other internal approval policies and procedures to ensure our on-going compliance. Our legal advisers as to Hong Kong and PRC laws will also (a) assist our Group to review our internal operational manual and other internal approval policies and procedures; (b) advise on any updates in respect of the compliance matters; and (c) recommend any implementation or remedial plans to enhance our internal control system. We will continue to review our operations and procedures with a view to further enhance our on-going compliance and consider to recruit more personnel with relevant skills, experience or qualifications for our internal control department if necessary.

- (iii) Our internal control measures, policies and procedures have been codified in our new internal operational manual since July 2013, which have been adopted and implemented by us, after taking into account the comments from our Internal Control Adviser. Further, such internal operational manual and handbooks will be reviewed by our internal control department on an on-going basis.
- (iv) We will appoint China Everbright as our compliance adviser upon the Listing to provide advice to our Directors and management team regarding matters relating to the GEM Listing Rules. The term of such engagement will commence on the Listing Date and end on the date on which we distribute our annual report as required under Rule 18.03 of the GEM Listing Rules for the second full financial year commencing after the Listing Date.
- (v) We will appoint D. S. Cheung & Co. as our Hong Kong legal advisers upon the Listing to advise us on compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations and such engagement will be reviewed annually.

We will appoint Jingtian & Gongcheng as our PRC legal advisers upon the Listing to advise us on compliance with the applicable PRC laws and regulations and such engagement will be reviewed annually.

- (vi) Our Company has arranged for our Directors to attend training sessions in July 2013 conducted by our legal advisers as to Hong Kong laws regarding director's duties and continuing obligations of listed companies under the GEM Listing Rules and the laws of Hong Kong.

- (vii) We will further provide various training programs, with the support of our Hong Kong legal advisers, for our Directors and members of senior management to update them on the relevant Hong Kong laws and regulations, which are relevant to the compliance of our Company as a listed company. Subjects of such trainings programs may include duties and continuing obligations of listed company and its directors, corporate governance under the GEM Listing Rules, internal control, disclosure of interests, inside information provisions under the SFO and other compliance matters. In addition, our PRC legal advisers will provide training programs for our Directors and members of senior management on various compliance matters that relate to the development in company law, architecture law, taxation law, foreign exchange law and labour contract law of the PRC, with particular focus on (a) the duties of the directors and members of senior management on corporate governance, and (b) the PRC laws and regulations applicable to architectural design business, from time to time, as and when needed. For other employees of our Group, we will provide training programs, with the support of our PRC legal advisers, to enhance our employees' knowledge on the latest PRC laws and regulations in respect of architectural design industry.

As the root causes for our past non-compliance incidents were due to unintended and inadvertent omission of the relevant officers as a result of inadequate understanding of the relevant regulatory requirements, rules and practices and lack of proper system and control to keep track of our compliance status, we are of the view that (i) our enhanced internal control measures; (ii) the engagement of external professional advisers to advise us on compliance matters; (iii) the provision of ongoing trainings to our Directors and members of senior management will enable our Group to strengthen our control environment both at the working level and at the monitoring level based upon which the Sole Sponsor considers that these measures should be adequate and effective to ensure our Group's ongoing compliance with the relevant rules and regulations in Hong Kong and the PRC.

Views of our Directors and the Sole Sponsor

As summarised in the paragraphs above, our Group has adopted and implemented certain corporate governance and internal control and measures to prevent any future breaches or non-compliance incidents and ensure on-going compliance with the relevant laws and regulations and delegated internal control works to experienced personnel with relevant qualifications. In addition, we will engage external professional advisers to advise us on compliance matters from time to time if required. On such basis, our Directors are of the view, and the Sole Sponsor concurs that, these measures are sufficient and effective to ensure ongoing compliance with relevant laws and regulations by our Group.

In addition, having considered the following:

- (i) the non-compliance matters disclosed in this prospectus are not involving fraud or deceit by our Directors;

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- (ii) the non-compliance matters disclosed in this prospectus are not matters with significant financial impacts on our Group and we were not subject to any fines or penalties regarding the non-compliance matter during the Track Record Period and up to the Latest Practicable Date; and
- (iii) non-compliance of LWK Guangzhou was an isolated and one-off event as we have passed the 2012 annual inspection for wholly foreign-owned enterprise (外商投資企業聯合年檢) in 2013,

our Directors are of the view, and the Sole Sponsor concurs with their view, that these past non-compliance incidents do not involve any dishonesty on the part of our Directors or impugn on their integrity or competence and do not affect their suitability to act as directors of a listed issuer under Rules 5.01, 5.02 and 11.07 of the GEM Listing Rules, and the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim is known to us to be pending or threatened by or against us, that would have a material adverse effect on our operating results or financial conditions.

SUITABILITY FOR LISTING

Being a comprehensive architectural service provider, we are potentially exposed to professional liabilities and our business heavily relies on our professional staff, resulting in additional business risks. Nevertheless, our Directors are of the view that investment in our Company's shares is suitable and appropriate for public investors due to the following reasons:

1. As advised by our Company's legal advisers as to Hong Kong laws and our PRC Legal Advisers, there are no express or implied provisions under (i) Hong Kong or PRC laws, and (ii) rules, regulations and guidelines from the relevant Hong Kong and PRC professional bodies to which our Group is subject to that may preclude our Company from becoming a publicly listed company on the Stock Exchange or may otherwise invalidate the major licences/qualifications that are considered critical to our Group's operations once our Company becomes listed. In addition, on 11 June 2013, on behalf of our Company, our Company's legal advisers as to Hong Kong laws wrote to the HKIA to inform the professional body about the Listing and the HKIA did not indicate its objection to our Listing in its reply letter dated 22 August 2013;
2. As advised by our Company's legal advisers as to Hong Kong laws and our PRC Legal Advisers, since a company and its shareholders are both separate legal entities, the listing of our Company will not expose our Shareholders and potential investors personally to significant risks of professional

liabilities. For details, please refer to the section headed “Risk Factors — Risks relating to our business — we rely heavily on our professional staff” in this prospectus;

3. From the operational perspective, we have taken out professional indemnity insurance to cover our potential liability arising from the claims against us under the service contracts in order to minimise the potential exposure arising from this regard. For details, please refer to “Insurance” under this section. In addition, we have taken appropriate measures to ensure we have sufficient qualified employees to maintain the major licenses/qualifications considered critical to our Group’s operations at all times. For details please refer to the paragraph headed “Major Qualifications” above in this section. Furthermore, we have also adopted quality control measures to mitigate the risk arising from professional negligence, misconduct and fraudulent act caused by our employees and to ensure that all projects are performed in accordance with the required professional standards and up to the satisfactions of our clients, for the purpose of limiting our exposure to professional liability. For details please refer to the paragraph headed “Quality Control and Risk Management” above in this section. Please also refer to the sections headed “Risk Factors — Risks relating to our business — We rely heavily on our professional staff” and “Risk Factors — Risks relating to our business — Our Group is subject to potential exposure to professional liabilities” in this prospectus for the attention of the potential investors; and
4. During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any notices or letters from the relevant authorities or professional bodies regarding any breach of licencing requirement in respect of our major licences/qualifications; (ii) our major licences/qualifications remained valid and had not been revoked or terminated by the relevant authorities or professional bodies; and (iii) we had not been subject to nor received any claim resulting from our service provided to our clients. For details, please refer to the section headed “Risk Factors — Risks relating to the industry in which we operate — Our Group’s business is subject to a number of licences, permits and qualifications” in this prospectus.

Based on the above, the Sole Sponsor concurs with the view of our Directors.

CONTROLLING, SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme), the following persons will individually and/or collectively be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company:

Name of entity	Nature of interest	Number of Shares ^(Note 1)	Percentage of interests in our Company immediately following completion of the Capitalisation Issue and the Placing
Mr. Liang	Interest in controlled corporation	83,068,000 ^{(L)(Note 2)}	46.15%
Rainbow Path	Beneficial owner	75,868,000 ^(L)	42.15%
Veteran Ventures	Beneficial owner	7,200,000 ^(L)	4.00%

Notes:

1. The letter "L" denotes the entity's long position in the Shares.
2. Among these 83,068,000 Shares, 75,868,000 Shares are held by Rainbow Path and 7,200,000 Shares are held by Veteran Ventures, both of which in turn are wholly and beneficially owned by Mr. Liang. As such, Mr. Liang is deemed under the SFO to be interested in these 83,068,000 Shares held by Rainbow Path and Veteran Ventures upon the Listing.

OUR SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

CONTROLLING, SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

Name of entity	Company concerned	Nature of interest	Number of Shares ^(Note 1)	Percentage of interests in our Company immediately following completion of the Capitalisation Issue and the Placing
Mr. Liang	Our Company	Interest in controlled corporation	83,068,000 ^{(L)(Note 2)}	46.15%
Mr. Fu	Our Company	Interest in controlled corporation	36,632,000 ^{(L)(Note 3)}	20.35%
Rainbow Path	Our Company	Beneficial owner	75,868,000 ^(L)	42.15%
Vivid Colour	Our Company	Beneficial owner	36,632,000 ^(L)	20.35%
Veteran Ventures	Our Company	Beneficial owner	7,200,000 ^(L)	4.00%
Ms. Liang ^(Note 4)	Our Company	Interest of spouse	83,068,000 ^(L)	46.15%
Ms. Chung Wai Chi, Connie ^(Note 5)	Our Company	Interest of spouse	36,632,000 ^(L)	20.35%

Notes:

1. The letter “L” denotes the entity’s long position in the Shares.
2. Among these 83,068,000 Shares, 75,868,000 Shares are held by Rainbow Path and 7,200,000 Shares are held by Veteran Ventures, both of which in turn are wholly and beneficially owned by Mr. Liang. As such, Mr. Liang is deemed under the SFO to be interested in these 83,068,000 Shares held by Rainbow Path and Veteran Ventures upon the Listing.
3. These 36,632,000 Shares are held by Vivid Colour, which in turn are wholly and beneficially owned by Mr. Fu. As such, Mr. Fu is deemed under the SFO to be interested in these 36,632,000 Shares held by Vivid Colour upon the Listing.
4. Ms. Liang, the spouse of Mr. Liang, is deemed under the SFO to be interested in these 83,068,000 Shares in which Mr. Liang is deemed to be interested upon the Listing.
5. Ms. Chung Wai Chi, Connie, the spouse of Mr. Fu, is deemed under the SFO to be interested in these 36,632,000 Shares in which Mr. Fu is deemed to be interested upon the Listing.

OUR SIGNIFICANT SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme), save as those disclosed under the paragraph headed “Our substantial shareholders” in this section and the persons below, there is no other person who, immediately prior to the date of this prospectus and immediately prior to the Listing Date, is entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of our Company.

CONTROLLING, SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

Name of entity	Company concerned	Nature of interest	Number of Shares ^(Note 1)	Percentage of interests in our Company immediately following completion of the Capitalisation Issue and the Placing
Mr. Wang	Our Company	Interest in controlled corporation	15,300,000 ^{(L)(Note 2)}	8.50%
Jun Ming	Our Company	Beneficial owner	15,300,000 ^(L)	8.50%
Ms. Li Min ^(Note 3)	Our Company	Interest of spouse	15,300,000 ^{(L)(Note 2)}	8.50%

Notes:

1. The letter "L" denotes the entity's long position in the Shares.
2. These 15,300,000 Shares are held by Jun Ming, which in turn are wholly and beneficially owned by Mr. Wang. As such, Mr. Wang is deemed under the SFO to be interested in these 15,300,000 Shares held by Jun Ming upon the Listing.
3. Ms. Li Min, the spouse of Mr. Wang, is deemed under the SFO to be interested in these 15,300,000 Shares in which Mr. Wang is deemed to be interested upon the Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect there to be any significant transactions between our Group and our Controlling Shareholders upon the Listing. Our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders and their respective associates after the Listing, having taken into consideration the following factors:

Management independence

Board

Our Board consists of nine Directors, among which six are executive and three are independent non-executive Directors. Mr. Liang together with Rainbow Path and Veteran Ventures, are our Controlling Shareholders.

All our independent non-executive Directors are sufficiently experienced and capable of monitoring our operations independently of our Controlling Shareholders. Therefore, our Directors are of the view that the interests of our Shareholders can be safeguarded. For details of our independent non-executive Directors, please refer to section headed "Directors, senior management and staff" in this prospectus.

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Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and not to allow any conflict between the interests of our Company and his personal interests. In the event that a potential conflict of interests arises out of any transaction to be entered into between us and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Committees

We have established an audit committee, a remuneration committee and a nomination committee. Each committee consists of a majority of independent non-executive Directors to monitor our operations.

The audit committee is responsible for reviewing and supervising our financial reporting process and internal control system whereas the remuneration committee's role is to ensure that our Directors are properly remunerated without being influenced by our Controlling Shareholders. The nomination committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

Senior management

We are also managed by our senior management who are independent of our Controlling Shareholders. For details of our senior management, please refer to the section headed "Directors, senior management and staff" in this prospectus.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently under the direction of our Board, and our Directors are of the view that we are capable of managing our business independently of our Controlling Shareholders after the Listing.

Our independent non-executive Directors are also independent of our Controlling Shareholders. Our Directors are satisfied that our independent non-executive Directors are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our business independently of our Controlling Shareholders after the Listing.

Operational independence

Our operations are independent of and not connected with our Controlling Shareholders. We have established our own set of organisational structure made up of individual departments, each with specific areas of responsibilities. Our Company has also established a set of internal control to facilitate the effective operation of our business.

Financial independence

During the Track Record Period and up to the Latest Practicable Date, we had our independent accounting system and carried out our accounting function through our accounts and payroll department. Save as disclosed below, our Directors are of the view that we are able to obtain financing independently of our Controlling Shareholders. For the year ended 31 December 2012, our Group disposed of all available-for-sale financial assets and all equity securities listed in Hong Kong to Mr. Liang and Mr. Fu with carrying amounts, which are the same as their fair values, of HK\$1,817,000 and HK\$3,192,000, respectively, as at the date of the disposal. Before the disposal, the available-for-sale financial assets and equity securities listed in Hong Kong were held on trust by Rich World in which Mr. Liang and Mr. Fu have beneficial interests and our Company terminated the trust on the same day.

During the Track Record Period, Mr. Liang, our Controlling Shareholder and executive Director provided personal guarantee to secure the bank overdrafts of our Group. Details of the bank overdrafts are set out in note 28 in Appendix I to this prospectus. 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 facilities amounting to HK\$2.4 million was available. As 31 October 2013, the banking facilities was secured by pledged bank deposits of HK\$1.7 million. We have received in-principle approvals from each of the relevant lending institutions that the personal guarantee provided by Mr. Liang be released and replaced by our Group's corporate guarantee provided by our Company subject to and upon, amongst other things, the Listing.

Although during the Track Record Period, there had been certain transactions between us and our related parties, details of which are set out in note 37 in Appendix I to this prospectus, none of such historical related party transactions are expected to continue after the Listing. In view of the above, our Directors consider that we are independent of our Controlling Shareholders in all material aspects including management, operation and finance.

UNDERTAKINGS

Our Controlling Shareholders have jointly and severally given certain undertakings in respect of the Shares (including those as set out in Rules 13.16A(1) and 13.19 of the GEM Listing Rules) to our Company, the Sole Bookrunner and the Underwriters, details of which are set out in the section headed "Underwriting — Undertakings" in this prospectus.

NON-COMPETITION UNDERTAKING

In order to maintain a clear delineation of the businesses between us and our Controlling Shareholders, our Controlling Shareholders (together the “**Covenantors**”) have entered into the Deed of Non-competition in favour of our Company (for itself and as trustee for each of our subsidiaries from time to time).

Under the Deed of Non-competition:

- (a) each of the Covenantors irrevocably undertakes that it/he shall not, and shall procure that none of their respective associates (other than members of our Group) shall, during the period (the “**Restricted Period**”) in which (i) the Shares remain listed on the Stock Exchange; and (ii) the Covenantors and their associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business of architecture, landscape architecture, town planning, interior design and heritage conservation and any other new business which our Group may undertake from time to time after the Listing (the “**Restricted Business**”);
- (b) each of the Covenantors further undertakes to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the “**New Opportunity**”) identified by or offered to the Covenantors and/or any of their associates (other than members of our Group) (the “**Offeror**”) is first referred to our Group (the “**First Right of Refusal**”) in the following manner:
 - (i) the Covenantors are required to, and shall procure their associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to our Group, and shall give written notice to our Company of any New Opportunity containing all information reasonably necessary for our Group to consider whether (A) the New Opportunity would constitute competition with the business of our Group and/or any other new business which our Group may undertake at the relevant time, and (B) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the “**Offer Notice**”); and

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- (ii) the Offeror will be entitled to pursue the New Opportunity only if (A) the Offeror has received a written notice from our Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the business of our Group, or (B) the Offeror has not received the notice from our Company within 10 business days from our Company's receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer the New Opportunity as so revised to our Group in the manner as set out above; and
- (c) each of the Covenantors further undertakes and agrees:
 - (i) not at any time to induce or attempt to induce any director, manager or employee of our Group to terminate his or her service contract or contract of employment with our Group, whether or not such act of that person would constitute a breach of that person's service contract or contract of employment;
 - (ii) not at any time to solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business cease to deal with our Group or reduce the amount of business which the person would normally do with our Group;
 - (iii) to provide all relevant information for the annual review by our independent non-executive Directors for the compliance with and the enforcement of the Deed of Non-competition;
 - (iv) to allow, subject to confidentiality restrictions imposed by any third party, the representatives of our Company and of the auditors of our Company to have access to its/his financial and/or corporate records as may be necessary for our independent non-executive Directors to determine whether the Covenantors and their associates have complied with the terms of the Deed of Non-competition;
 - (v) to make an annual declaration in our Company's annual report on the compliance with the terms of the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report within two months after the date upon which the financial period of our Company ends, or if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in our Company's annual report for the relevant financial year; and

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- (vi) the Covenantors, for themselves and on behalf of their associates (except any members of our Group), acknowledge that our Company may be required by the relevant laws, regulations, rules of the stock exchange(s) on which the Shares may be listed and the regulatory bodies to disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in public announcements or our Company's annual report or decision made by our Company to pursue or decline the New Opportunity and agree to the disclosure to the extent necessary to comply with any such requirement.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective associates may not compete with us as provided in the Deed of Non-competition. Our Directors are of the view that there are adequate corporate governance measures in place to manage existing and potential conflict of interests. In order to further avoid potential conflict of interests, we have implemented the following measures:

- (i) our independent non-executive Directors will conduct annual review on the compliance with the Deed of Non-competition by our Controlling Shareholders and the enforcement thereof by our Company (e.g. exercise by our Company of the First Right of Refusal granted by our Controlling Shareholders on their existing or future competing businesses);
- (ii) our Controlling Shareholders have undertaken and agreed to provide all information necessary for the annual review by our independent non-executive Directors on the compliance with and enforcement of the Deed of Non-competition;
- (iii) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either through our Company's annual report or by way of announcements to the public; and
- (iv) our Controlling Shareholders have undertaken and agreed to make an annual declaration on the compliance with and enforcement of the Deed of Non-competition in our Company's annual report.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BOARD OF DIRECTORS

Except as otherwise disclosed in this prospectus, none of our Directors have had directorships in companies listed in Hong Kong within the past three years of the date of this prospectus. In addition, except as otherwise disclosed in this prospectus, none of our Directors, when joining our Group, have had relationships with our Directors, senior management or Substantial Shareholders.

The Board consists of nine Directors, including six executive Directors and three independent non-executive Directors. The table below sets forth information regarding the Board:

Name	Age	Position and Roles	Appointment Date
Liang Ronald (梁鵬程)	64	Chairman, executive Director and chairman of nomination committee	13 May 2013
Fu Chin Shing (符展成)	47	Chief executive officer, executive Director, authorised representative, compliance officer and member of remuneration committee	5 December 2013
Wang Jun You (王君友)	49	Executive Director	5 December 2013
Lo Kin Nang (盧建能)	44	Executive Director	5 December 2013
Ng Kwok Fai (吳國輝)	43	Executive Director	5 December 2013
He Xiao (何曉)	46	Executive Director	5 December 2013
Lo Wai Hung (盧偉雄)	53	Independent non-executive Director, chairman of audit committee and member of remuneration committee	5 December 2013
Wang Julius (王哲身)	52	Independent non-executive Director, member of audit committee and nomination committee	5 December 2013
Yu Chi Hang (余熾鏗) (alias, Yue Chi Hang)	64	Independent non-executive Director, chairman of remuneration committee, member of audit committee and nomination committee	5 December 2013

Executive Directors

Mr. Liang Ronald (梁鵬程), aged 64, was appointed a Director on 13 May 2013 and redesignated as the chairman of our Group and an executive Director on 5 December 2013. Mr. Liang is a founder of our Group and is responsible for the overall corporate development of our Group, managing our relationships with our clients and exploring new business opportunities. Mr. Liang graduated from the school of architecture of the South Australian Institute of Technology, Adelaide, Australia with a diploma in technology (architecture) in 1975.

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Mr. Liang has over 30 years of experience in the architectural service industry with over 25 years of experience in Hong Kong. Prior to the establishment of Liang Wong Kou & Partners HK in 1985, Mr. Liang developed his career in architectural practices in Australia. Mr. Liang has also gained project experience from numerous projects in Hong Kong, the PRC, Macau and South Korea. In terms of community service, Mr. Liang is currently an executive committee member of the Association of Architectural Practices in Hong Kong.

Mr. Liang has been a registered architect in the state of New South Wales since 1980, an authorised person (architect) since 1984, a registered architect in Hong Kong since 1991, and a class 1 registered architect in the PRC since 2004. He also holds memberships in the following institutes:

- the Australian Institute of Architects since 1977;
- the Royal Institute of British Architects since 1981; and
- the HKIA since 1989.

Mr. Fu Chin Shing (符展成), aged 47, was appointed as the chief executive officer of our Group and an executive Director on 5 December 2013. He joined our Group in 1991 and was promoted to the rank of director in 1998. He is primarily responsible for overseeing the overall operations and strategic planning of our Group, managing our relationships with our clients and exploring new business opportunities. He graduated from the University of Hong Kong with a bachelor's degree of arts in architectural studies in 1988 and a bachelor's degree in architecture in 1991.

Mr. Fu has over 22 years of experience in the architectural service industry in Hong Kong and the PRC.

He has been an authorised person (architect) and a registered architect in Hong Kong since 1993 and a class 1 registered architect in the PRC since 2004. He also holds professional membership in the HKIA since 1992.

Mr. Wang Jun You (王君友), aged 49, was appointed as an executive Director on 5 December 2013. Mr. Wang joined our Group with the rank of director in 2011. Mr. Wang is primarily responsible for strategic planning and overseeing our operations in the PRC, managing our relationships with our clients and exploring new business opportunities. He graduated from Tsinghua University with a master's degree in architecture in 1989.

Mr. Wang has over 25 years of experience in the architectural service industry in the PRC. He has obtained a class 1 registered architect in the PRC since 2001. Prior to joining our Group, Mr. Wang has gained managerial experience in architectural companies in the PRC. He has been involved in residential projects in the PRC. Mr. Wang is the spouse of Ms. Li Min, a member of our senior management.

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Mr. Lo Kin Nang (盧建能), aged 44, was appointed as an executive Director on 5 December 2013. He joined our Group in 1997 and was promoted to the rank of director in 2010. He is responsible for strategic planning, our corporate development and overseeing our operations in Hong Kong. He graduated from the University of New South Wales in Australia with a bachelor's degree in architecture in 1996.

Mr. Lo has over 15 years of experience in the architectural service industry mainly in Hong Kong by being involved in projects in Hong Kong and the PRC. He served as an evaluation expert member of the Shenzhen Construction Bureau (深圳市住房和建設局建設工程評標專家庫專家成員) in 2012.

Mr. Lo has been a registered architect in Hong Kong since 2001, a class 1 registered architect in the PRC since 2008, and a BEAM Pro since 2011. He also holds professional membership in the HKIA since 2001.

Mr. Ng Kwok Fai (吳國輝), aged 43, was appointed as an executive Director on 5 December 2013. He initially joined our Group in 1996 and later rejoined in 2004. He was promoted to the rank of director in 2010 and is responsible for overseeing our operations in Hong Kong. He graduated from the University of Hong Kong with a bachelor's degree in arts (architectural studies) in 1992 and a master's degree in architecture in 1995.

Mr. Ng has over 16 years of experience in the architectural service industry in Hong Kong. He was involved in our Group's projects in Hong Kong and the PRC.

Mr. Ng has been a registered architect in Hong Kong since 1998, an authorised person (architect) since 1999, and a class 1 registered architect in the PRC since 2008. He also holds professional membership in the HKIA since 1998.

Mr. He Xiao (何曉), aged 46, was appointed as an executive Director on 5 December 2013. He joined our Group with the rank of director in 2007 and is responsible for overseeing our operations in the PRC. He graduated from Huazhong University of Science & Technology (華中科技大學) in 1988 with a bachelor's degree in architecture.

Mr. He has over 9 years of experience in the architectural service industry. He has gained project experience by being involved in architectural design, urban and landscape design projects in the PRC.

Independent non-executive Directors

Mr. Lo Wai Hung (盧偉雄), aged 53, was appointed as an independent non-executive Director on 5 December 2013. He graduated from James Cook University of North Queensland with a bachelor's degree in commerce in 1985. He is an associate member of the Institute of Chartered Accountants in Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lo has experience in auditing, finance and management. He is currently the financial controller of an oil trading and bunkering company. He served as director and financial controller of China Resources Development Investment Co., Limited from September 1998 to June 2002. He worked in the audit departments of international auditing firms between February 1989 and July 1995.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Lo is an independent non-executive director of Shandong Weigao Group Medical Polymer Company Limited (stock code: 1066) and Talent Property Group Limited (stock code: 760), the shares of both companies are listed on the Stock Exchange and an independent director of China Merchant Property Development Co. Ltd. (stock code: 000024), the shares of which are listed on the Shenzhen Stock Exchange. Mr. Lo was an independent non-executive director of Ngai Lik Industrial Holdings Limited (stock code: 332), the shares of which are listed on the Stock Exchange, between May 2011 and January 2013.

Mr. Wang Julius (王哲身), aged 52, was appointed as an independent non-executive Director on 5 December 2013. He received his undergraduate studies in economics at the University of New Hampshire and a master's degree in business administration from Harvard Business School in 1991. Mr. Wang has experience in the investment management industry. He is currently a managing director of Samena Asia Managers Limited. Mr. Wang was previously a managing director of China Apollo Holdings Limited (stock code: 512) between July 1997 and December 1998 and a non-executive director of Symphony Holdings Limited (stock code: 1223) between June 2001 and September 2001, the shares of both companies are listed on the Stock Exchange.

Mr. Yu Chi Hang (alias, Yue Chi Hang) (余熾鏗), aged 64, was appointed as an independent non-executive Director on 5 December 2013. He graduated from the University of Hong Kong with a bachelor's degree in architectural studies in 1972 and a bachelor's degree in architecture in November 1974. He also holds professional membership in the HKIA since 1976. Mr. Yu has over 32 years of service with the Hong Kong government. He joined the Hong Kong government as graduate architect in 1976 and was promoted to chief architect in February 1988. He was appointed as the deputy director of the Architectural Services Department in July 1998. He took up the position of director of the Architectural Services Department in November 2002 and retired in July 2009. Mr. Yu received the Silver Bauhinia Star award from the Hong Kong government in 2009 and was previously an official Justice of the Peace.

Save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

Please refer to the paragraph headed "Particulars of service agreements" in Appendix IV to this prospectus for information regarding particulars of our Directors' service agreements and emoluments and information regarding their respective interests (if any) in the Shares within the meaning of Part XV of the SFO. As at the Latest Practicable Date, save for the interests of Mr. Liang, Mr. Fu and Mr. Wang in the Shares which are disclosed herein, none of our Directors have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there is no information relating to our Directors that is required to be disclosed pursuant to any of the requirements of Rules 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Our Directors do not have any interest in any business that competes or is likely to compete, either directly or indirectly, with our Group's business.

SENIOR MANAGEMENT

Mr. Chan Pak Yuen (陳柏源), aged 36, is our director of architecture. He is responsible for our operations in Shenzhen. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in architectural studies and a master's degree in architecture in December 1999 and December 2002, respectively. He joined our Group in July 2002 as an architectural assistant and was promoted to director in April 2012. Mr. Chan has been a registered architect in Hong Kong and has held professional membership in the HKIA since 2006.

Ms. Yu Wing Sze (余詠詩), aged 37, is our company secretary, authorised representative and chief financial officer. She is responsible for overseeing the overall financial management of our Group. Ms. Yu graduated from the University of Hong Kong with a bachelor's degree in accounting and finance in December 1998. She joined our Group and served as finance and accounting director of LWK (Hong Kong) in August 2011. Prior to that, Ms. Yu worked in Deloitte Touche Tohmatsu CPA Ltd since 2004 and left as a senior manager in August 2010. She has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since 2003. She was admitted as a member and a fellow of the Association of Chartered Certified Accountants in November 2001 and December 2006, respectively.

Mr. Lai Wing Chau Niki (黎永宙), aged 41, is our director of landscape. He is responsible for the operations of our landscape department. Mr. Lai graduated from the California State Polytechnic University with a bachelor's degree in landscape architecture in December 1997. He first joined our Group as a project director between September 2007 and November 2008 and then returned to our Group in January 2011 and has held the current position since then. Mr. Lai worked at Team 73 HK Limited as a landscape architect between December 1997 and May 1998. He then worked for several companies managing landscape projects before serving at ERM-Hong Kong, Limited as a senior landscape designer between December 2008 and December 2010. Mr. Lai has been a member of the Hong Kong Institute of Landscape Architects since 2002.

Mr. Chan Chui Man (陳聚文), aged 38, is our associate director of architecture. He is responsible for assisting our executive Directors in overseeing our operations in Hong Kong. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in architectural studies and a master's degree in architecture in December 1997 and November 2000, respectively. He joined our Group in June 2000 as an architectural assistant and was promoted to associate director in 2012. Mr. Chan has been a registered architect in Hong Kong since 2003, a LEED AP of US Green Building Council since 2009 and a BEAM Pro since 2011. He has held professional membership in the HKIA since 2003.

Mr. Ma Kwai Lam Lambert (馬桂霖), aged 45, is our associate director of architecture. He is responsible for assisting our executive Directors in overseeing our operations in Hong Kong. Mr. Ma graduated from Virginia Polytechnic Institute and State University, USA with a bachelor's degree in architecture in 1995. He joined our Group in

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July 2009 and was promoted to associate director in April 2012. Mr. Ma started his career at Ma & Fong & Associates Limited in 1995 and later joined Liang Peddle Thorp Architects and Planners Limited as an architectural assistant in 1998. He then served as a senior project designer at Leigh & Orange Ltd. between 2005 and 2009. Mr. Ma has held professional membership in the HKIA since 2011 and has been a registered architect in Hong Kong since 2012.

Ms. Li Min (李敏), aged 49, is the chief financial officer of LWK Yiheng. She is responsible for the finance, administration and human resources management for our operations in the PRC. Ms. Li graduated from the Liaoning University (遼寧大學) with a bachelor's degree in biology in July 1988. Before joining our Group in 2011, Ms. Li served as chief financial officer and deputy general manager in the Shenzhen branch of United Architects & Engineers Co., Ltd (北京中聯環建文建築設計有限公司) between December 2008 and January 2011. She was an engineer at Shenzhen General Institute of Architectural Design and Research Co., Ltd. (深圳市建築設計研究總院有限公司) between July 1993 and December 2008. Ms. Li was accredited as an engineer (工程師) by the Title Management Office of Shenzhen City (Second Evaluation Committee of Engineer Qualification of Construction Engineering) (深圳市職稱管理辦公室(深圳市建築工程技術工程師資格第二評審委員會)) in November 1999. Ms. Li is the spouse of Mr. Wang, our executive Director and significant Shareholder.

Ms. Zhang Li Juan (張麗娟), aged 49, is our operations and contract manager (經營合約部經理) in the PRC. She is responsible for the operations and contract management for our projects in the PRC. Ms. Zhang graduated from Chongqing Professional Construction College (重慶建築專科學校) with a professional certificate in management in construction engineering (建築工程管理專業) in July 1988. Before joining our Group in May 2011, Ms. Zhang served as a manager in the costs department (成本部經理) at Shenzhen Meijiangan Real Estate Development Co., Ltd. (深圳市梅江南投資發展有限公司) between January 2006 and April 2011. Between September 2000 and December 2005, she worked in Shenzhen Supreme Engineering Co., Ltd (深圳市超卓工程有限公司) as an operation manager (經營部經理). She was accredited as an engineer (工程師) by the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in March 1998.

Save as disclosed above, none of our senior management has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Yu Wing Sze is our company secretary of our Company. Details of her qualifications and experience are set out in the paragraph headed "Senior Management" above in this section.

COMPLIANCE OFFICER

Mr. Fu is the compliance officer of our Company. Details of his qualification and experience are set out in the paragraph headed "Board of Directors" above in this section.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed China Everbright to be our compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, our compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 17.11 of the GEM Listing Rules.

The term of the engagement will commence on the Listing Date and end on the date on which we distribute our annual report as required under Rule 18.03 of the GEM Listing Rules for the second full financial year commencing after the Listing Date.

BOARD COMMITTEE

Audit Committee

Our Company established an audit committee on 5 December 2013 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraph C.3 of the Corporate Governance Code. The members of the audit committee comprise Mr. Lo Wai Hung, Mr. Yu Chi Hang and Mr. Wang Julius, all of whom are independent non-executive Directors. The chairperson of the audit committee is Mr. Lo Wai Hung. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and related materials and provide advice in respect of the financial reporting process and oversee the internal control procedures of our Group.

Remuneration Committee

Our Company established a remuneration committee on 5 December 2013 with written terms of reference in compliance with paragraph B.1.1 of the Corporate Governance Code. The members of the remuneration committee comprise Mr. Yu Chi Hang, Mr. Lo Wai Hung and Mr. Fu. The chairperson of the remuneration committee is Mr. Yu Chi Hang. The primary duties of the remuneration committee are mainly to make recommendations to the Board on the overall remuneration policy and structure relating to our Directors and the senior management of our Group, review and evaluate their performance in order to make recommendations on the remuneration package of each of our Directors and senior management personnel as well as other employee benefit arrangements.

Nomination Committee

Our Company established a nomination committee on 5 December 2013 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The members of the nomination committee comprise Mr. Liang, Mr. Wang Julius and Mr. Yu Chi Hang. The chairperson of the nomination committee is Mr. Liang. The nomination committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the Board succession.

REMUNERATION OF DIRECTORS

The aggregate amount of fees, salaries, allowances and benefits in kind paid by our Group to our Directors amounted to approximately HK\$9.4 million, HK\$13.0 million and HK\$12.5 million for each of the two years ended 31 December 2012 and six months ended 30 June 2013, respectively. Under the respective service agreements of our Directors, the aggregate basic annual remuneration (excluding discretionary bonus and share-based payment) payable by our Group to our Directors for the year ending 31 December 2013 will be approximately HK\$15.5 million. Our Director's remuneration policy of our Group after the Listing will be substantially the same as the remuneration policy of our Group for the year ended 31 December 2012. Further details of the service agreements of our Directors and their respective remuneration after the Listing are set out in the paragraph headed "C. Further Information about our Directors, Substantial Shareholders and Experts — 1. Directors — Particulars of service agreements" in Appendix IV to this prospectus.

EMPLOYEES

Our Group has over 550 employees. For details, please refer to the section headed "Business — Employees and Employee Benefits" in this prospectus.

Being a service provider, our Directors believe that manpower is our most valuable asset. Therefore, we consider that the maintenance of sufficient and high-grade manpower is crucial to our Group's productivity. Therefore, we have implemented a staff policy, generally divided into three parts: (a) recruitment; (b) training and development; and (c) employees' benefit.

Remuneration

The employees of our Group are remunerated by way of salary and bonus. Our Group has devised an assessment system for its employees and our Group uses the assessment result for salary reviews and promotion decisions.

We undergo staff performance appraisal every year. The appraisal provides our Group with an opportunity to assess each individual staff's strengths and areas for improvement, thereby enabling our Group to effectively train and develop individual staff.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

For each of the two years ended 31 December 2012, the aggregate of salaries and benefits in kind paid by our Group to the five highest paid individuals were approximately HK\$7.7 million and HK\$9.3 million, respectively. For each of the two years ended 31 December 2012, the aggregate of bonuses paid by our Group to the five highest paid individuals were approximately HK\$1.4 million and HK\$3.0 million, respectively. For each of the two years ended 31 December 2012, the aggregate of contributions for retirement benefit scheme made by our Group to the five highest paid individuals were approximately HK\$0.2 million and HK\$0.2 million, respectively. For details of the emoluments of our Directors and the five highest paid individual of our Group during the Track Record Period, please refer to note 11 of Appendix I to this prospectus.

During the Track Record Period, no emoluments were paid by our Group to any of the aforementioned five highest paid individuals as an inducement to join our Group or upon joining our Group as a compensation for loss of office.

Relationships with employees

Our Directors believe that our Group maintains good working relationships with our employees. Our Group has not encountered any difficulty in the recruitment and retention of staff for our operations or experienced any material disruption of our operations as a result of labour disputes since the establishment of our business.

STAFF BENEFITS

In Hong Kong, we operate a defined contribution retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong who joined us after the commencement of this ordinance. Contributions are made based on a percentage of the employees’ basic salaries. We contribute the lower of HK\$1,250 or 5% of the relevant monthly salary to the MPF Scheme, a contribution to be matched by our employees.

As required by PRC regulations, we participate in social insurance schemes operated by relevant local government authorities. We also maintain mandatory pension contribution plans, medical and work-related insurances for our workers in the PRC. Our PRC Legal Advisers have advised that we have complied with applicable labour laws and social welfare laws and regulations in the PRC in all material respects during the Track Record Period and have made relevant contributions in accordance with such laws and regulations during the Track Record Period.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme on 5 December 2013 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

The authorised and issued share capital of our Company are as follows:

Number of Shares comprised in the authorised share capital:

	<i>HK\$</i>
1,000,000,000 Shares	10,000,000.00

Assuming the Offer Size Adjustment Option is not exercised, the share capital of our Company immediately following the completion of the Placing and the Capitalisation Issue will be as follows:

Shares issued and to be issued, fully paid or credited as fully paid, upon completion of the Placing and the Capitalisation Issue:

	<i>HK\$</i>
38,000,000 Shares in issue as at the date of this prospectus	380,000.00
97,000,000 Shares to be issued pursuant to the Capitalisation Issue	970,000.00
45,000,000 Shares to be issued pursuant to the Placing ^(Note 1)	450,000.00
180,000,000 Shares in total ^(Note 1)	1,800,000.00

Note:

1. The issued share capital of our Company will be enlarged by an additional maximum number of 6,750,000 Shares in the event that the Offer Size Adjustment Option is exercised in full.

ASSUMPTIONS

The above tables assume that the Placing becomes unconditional and does not take into account the exercise of the Offer Size Adjustment Option and options granted under the Pre-IPO Share Option Scheme or any options to be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and Repurchase Mandate as described below.

RANKING

The Placing Shares, including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option, will rank *pari passu* in all respects (except the Capitalisation Issue) with all other Shares in issue as at the date of this prospectus, and in particular, will rank in full for all dividends and other distributions declared, paid or made on the Shares after the date of this prospectus.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Our Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme, the principal terms of which are set out in the paragraphs headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions stated in the section headed “Structure and Conditions of the Placing — Conditions of the Placing” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue (such share capital being exclusive of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option); and
- (ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under this mandate, allot, issue and deal with the Shares pursuant to (a) a rights issue; (b) the exercise of rights of subscription, exchange or conversion under the terms of any warrants or convertible securities issued by our Company or any securities which are exchangeable into Shares; (c) the exercise of the subscription rights under options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or any other similar arrangement of our Company from time to time adopted for the grant or issue to officers and/or employees and/or consultants and/or advisers of our Company and/or any of its subsidiaries and/or other persons of Shares or rights to acquire Shares; or (d) any scrip dividend or similar arrangement providing for allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of our Company.

The Issue Mandate will expire:

- at the conclusion of our Company’s next annual general meeting;
- upon the expiration of the period within which our Company is required by applicable laws or the Articles or the Companies Law to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For details of the Issue Mandate, please see the paragraph headed “A. Further Information about our Company — 3. Written resolutions” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions stated in the paragraph headed “Structure and Conditions of the Placing — Conditions of the Placing” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue (such share capital being exclusive of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option).

The Repurchase Mandate relates only to repurchases made on GEM and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further Information about our Company — 6. Repurchase of the Shares by our Company” in Appendix IV to this prospectus.

The Repurchase Mandate will expire:

- at the conclusion of our Company’s next annual general meeting;
- upon the expiration of the period within which our Company is required by applicable laws or the Articles or the Companies Law to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further information about the Repurchase Mandate, please refer to the paragraph headed “A. Further Information about our Company — 3. Written resolutions” in Appendix IV to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

OUR BUSINESS OBJECTIVES

Our primary business objectives are (i) to strengthen our position as being one of the leading local architectural service providers in Hong Kong; and (ii) to expand our market share in the architectural service industry in the PRC. To achieve such objectives, our Group intends to implement the strategies below.

OUR BUSINESS STRATEGIES

To achieve our business objectives, we aim to further establish a multi-centre operation model to increase our productivity and profitability. The following are the strategies to achieve the same:

To enhance our information technology infrastructure

Our Directors believe that our knowledge base is our most valuable asset. We have accumulated valuable experience in both design and project execution. The effective application of our experience/knowledge in a larger scale and multi-centre operation model will enhance our market position and ensure our growth to be sustainable. As such, the enhancement of the information technology infrastructure will help us to gather and arrange our experience and knowledge in a systematic manner, which in turn increases our capacity in:

- 1) Design information management;
- 2) Resources management; and
- 3) Visualisation and presentation technology.

We intend to invest resources to build up and implement the following to improve cost and operating efficiency:

- 1) *Design information management platform*

The transformation of our project experience into retrievable data and application to the new projects will ensure the consistency of our quality in both design and project management. This unified design information management platform with information archive and retrieval system will facilitate the multi-centre operation model. In addition, it will increase our design efficiency and hence reduce our cost.

- 2) *Cost management system*

The optimum allocation of resources is the key to our profitability. We plan to establish an integrated cost management system with cost budgeting, resources allocation and monitoring functions, which enables us to monitor our expenses and output throughout the life span of every project.

FUTURE PLANS AND USE OF PROCEEDS

3) *Building information modelling (BIM) system and three-dimensional (3D) printing*

With the new technology of the BIM system and 3D printing, we can handle more complicated projects in a more precise manner. In addition, our design deliverables are easier to comprehend and hence facilitate our workflow. Our Directors believe that the BIM system and 3D printing enable professionals at different locations to visualize and work on the same project at the same time. This enables multi-teams at different locations to work on one project.

To carry out marketing activities in the PRC

Marketing activity is restricted in the architectural service industry in Hong Kong. Nevertheless, in the PRC, there are fewer restrictions to marketing and advertising activities in the architectural service industry. As such, in order to increase our public awareness in the PRC, we have and will carry out marketing activities in the PRC, especially in the first tier cities, including Shenzhen, Shanghai, Guangzhou and Beijing. The marketing activities to be carried out include exhibition, conference, sponsorship, design competition, direct marketing and advertisement. Our Directors believe that ongoing awareness of environmental protection leads to an increasing demand for environmental building design. The idea of environmental building design, i.e. “Go Green”, is one of our main themes of our marketing strategies. We believe our extensive marketing activities will enhance the awareness of our Group and therefore, hopefully broaden our clientele base in the PRC.

To expand our offices and teams

1) *To expand our offices in first tier and second tier cities in the PRC*

Our headquarter is located in Hong Kong and we have five offices in the PRC, namely in Shenzhen, Shanghai, Guangzhou, Chengdu and Shenyang. To maximize the benefits from our established and expanding client network, it is our strategy to expand our offices in both first tier and second tier cities in the PRC.

We believe that the offices in the first tier cities in the PRC will serve the following purposes:

- 1) Recruitment of professionals — the established market provides a large pool of talents in the industry.
- 2) More business opportunities for high quality design — in general, first tier cities with higher degree of economic development can afford more sophisticated projects.
- 3) Corporate image building — the establishment of regional offices in the first tier cities will reinforce our market presence and corporate image in the PRC.

FUTURE PLANS AND USE OF PROCEEDS

- 4) Capture of business opportunities from the cities in the vicinity — the developers in these major development areas usually look for quality architectural service provider in the first-tier cities located nearby.

In addition, establishing offices in the second tier cities in the PRC allows us to enjoy a lower operating cost, increase our market penetration and gain access to an alternative market for professional recruitment.

As of the Latest Practicable Date, we did not have specific targeted locations for setting up new offices nor had we decided on the number of new offices to be opened.

- 2) *To expand our team of landscape architecture, town planning and interior design*

We see the potential growth on demands for services of landscape architecture, town planning and interior design. During the Track Record Period, there were increasing demands from our PRC clients for the service of landscape architecture, town planning and interior design. Our Directors believe that the developers require reliable quality service providers and they welcome comprehensive architectural service providers which can save their management time, reduce coordination problems and resources. Our established and expanding client network gives us a favorable opportunity to further expand these three disciplines. Compared to the projects of architecture, we consider that the projects of landscape architecture, town planning and interior design usually have a shorter project cycle.

IMPLEMENTATION PLANS

We will endeavour to achieve the milestone events set out below during the period from the Latest Practicable Date to 30 June 2016. Their respective scheduled completion time are based on certain bases and assumptions as set out in the paragraph headed “Bases and Assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular, the risk factors as set out in the section headed “Risk Factors” in this prospectus.

1. For the period from the Latest Practicable Date to 30 June 2014

- | | |
|--|---|
| To enhance our information technology infrastructure | <ul style="list-style-type: none">• invest resources to build up the design information management platform, cost management system, BIM system and 3D printing technology |
| To carry out marketing activities in the PRC | <ul style="list-style-type: none">• organise design forums, seminars or conferences with academic institutions or professional bodies/associations in order to promote our “Go Green” building design idea continuously |

FUTURE PLANS AND USE OF PROCEEDS

- carry out design exhibitions in first tier cities in the PRC
- To expand our offices and teams
 - set up offices for our operations of landscape architecture, town planning and interior design to cater for our potential growth of these three practice areas
 - expand and transform our current offices in first tier cities in the PRC to regional offices

2. For the six months ending 31 December 2014

- To enhance our information technology infrastructure
 - carry out the build-up and conduct the testing of the cost management system, design information management platform, BIM system and 3D printing technology
- To carry out marketing activities in the PRC
 - provide sponsorships to architecture programmes at the university level in the PRC
 - directly carry out advertisement through various media platforms
- To expand our offices and teams
 - carry out our expansion and transformation of our current offices in first tier cities in the PRC to regional offices
 - develop our offices in second tier cities in the PRC to provide design support to our Hong Kong headquarters and other regional offices

3. For the six months ending 30 June 2015

- To enhance our information technology infrastructure
 - implement the cost management system, design information management platform, BIM system and 3D printing technology in full scale
- To carry out marketing activities in the PRC
 - organise design forums, seminars or conferences with academic institutions or professional bodies/associations in order to promote our “Go Green” building design idea continuously

FUTURE PLANS AND USE OF PROCEEDS

- carry out design exhibitions in first tier cities in the PRC
- To expand our offices and teams
 - further develop our offices in second tier cities in the PRC to provide design support to our Hong Kong headquarters and other regional offices

4. For the six months ending 31 December 2015

- To enhance our information technology infrastructure
 - monitor the performance of the design information management platform, cost management system, BIM system and 3D printing technology
- To carry out marketing activities in the PRC
 - provide sponsorships to architecture programmes at university level in the PRC
 - carry out design exhibitions in first and second tier cities in the PRC
- To expand our offices and teams
 - continue to expand and transform our current offices in first tier cities in the PRC to regional offices
 - further develop our offices in second tier cities in the PRC as back-up offices to provide design support to our Hong Kong headquarters and other regional offices

5. For the six months ending 30 June 2016

- To enhance our information technology infrastructure
 - monitor the performance of our design information management platform, cost management system, BIM system and 3D printing technology
- To carry out marketing activities in the PRC
 - assess the performance of our marketing activities
- To expand our offices and teams
 - continue to expand and transform our current offices in first tier cities in the PRC to regional offices

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

The business objectives set forth by our Directors are based on the following bases and assumptions:

- there will be no significant economic changes in respect of inflation, interest rate, tax rate and currency exchange rate in Hong Kong and the PRC that will adversely affect our business;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the existing laws (whether in Hong Kong, the PRC or any part of the world), policies or industry or regulatory treatment relating to provision of architectural design in Hong Kong, the PRC, or in the political, economic or market conditions in which we operate;
- there will be no changes in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in the bases or rates of taxation applicable to our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to its properties or facilities;
- there will be no changes in the effectiveness of the licenses and permits obtained by our Group; and
- we will not be materially affected by the risk factors as set forth in the section headed “Risk Factors” in this prospectus.

REASONS OF THE PLACING AND PROPOSED USE OF NET PROCEEDS

There is no specific ranking system in the architectural service industry in Hong Kong and our ability to secure new projects depends heavily upon our corporate image and reputation as we generally obtain our business by invited tendering, our Directors believe that the Listing will enhance our Group’s corporate image and reputation as well as further strength our position in the market. Coupled with our sound track record and wide market recognition, our Directors consider that the Listing will allow our Group to enjoy a first-mover advantage in both Hong Kong and the PRC as the first architectural service provider to be listed in the Stock Exchange, thus we are better positioned to carry out our marketing activities, particularly in the PRC. Hence, the Listing will serve as an indicator for property developers to select architectural service providers, which further strengthen our position as being one of the leading local architectural service providers in

FUTURE PLANS AND USE OF PROCEEDS

Hong Kong and is beneficial to our business development in the PRC as well as enable us to implement our business plan as set out in this section. Furthermore, the Listing and the Placing will provide us with access to capital market for future corporate finance exercises to assist in our future business development and further strengthen and enhance our competitiveness. In addition, the Listing will expand and diversify our shareholders base as it will allow institutional and professional investors in Hong Kong to easily participate in the equity of our Company, thereby establishing a solid institutional and professional shareholders base to the benefit of our Company and Shareholders as a whole. On operational level, our Directors consider that the Listing will enhance our recruitment strategy to attract more talented staff worldwide.

On the basis that the Placing Price is HK\$0.80 (being the mid-point of the indicative range of the Placing Price), our Directors estimate that the net proceeds from the Placing payable to us (after deducting underwriting fees and estimated expenses payable by us in connection with the Placing) will be approximately HK\$16.0 million (assuming that the Offer Size Adjustment Option is not exercised). Our Directors intend that the net proceeds payable to us from the Placing will be applied for the period from the Latest Practicable Date to 30 June 2016 as follows:

	From the Latest Practicable Date to 30 June 2014	For the six months ending				Total HK\$ million	% of net proceeds
		31 Dec 2014 HK\$ million	30 Jun 2015 HK\$ million	31 Dec 2015 HK\$ million	30 Jun 2016 HK\$ million		
To enhance our information technology infrastructure							
• Design Information	1.0	0.5	0.5	-	-	2.0	12.5%
• Cost Control/Resources Management	0.8	0.4	0.5	-	-	1.7	10.6%
• BIM/3D Printing	0.5	0.5	0.3	-	-	1.3	8.1%
To carry out marketing activities in the PRC	0.5	0.8	0.4	0.3	-	2.0	12.5%
To expand our offices and teams	2.0	2.0	2.0	2.0	1.0	9.0	56.3%
Total:	4.8	4.2	3.7	2.3	1.0	16.0	100%

FUTURE PLANS AND USE OF PROCEEDS

If the Placing Price is determined at the high-end of the indicative range of the Placing Price, the net proceeds from the Placing payable to us would be increased to approximately HK\$20.5 million. We intend to apply such additional net proceeds to the above proposed usage on a pro-rata basis. If the Placing Price is determined at the low-end of the indicative range of the Placing Price, the net proceeds from the Placing payable to us would be decreased to approximately HK\$11.5 million. We intend to reduce the net proceeds to the above proposed usage on a pro-rata basis.

If the Offer Size Adjustment Option is exercised in full, assuming a Placing Price of HK\$0.8 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.7 to HK\$0.9 per Placing Share, the net proceeds will be increased by approximately HK\$5.2 million. Our Directors intend to apply such additional proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of our Directors that they will be placed as short-term deposits with licensed banks in Hong Kong.

Our Directors consider that the net proceeds from the Placing together with our internal resources will be sufficient to finance the implementation of our business plans as set forth in the paragraphs under “Implementation Plans” in this section. **Investors should be aware that any part of our business plans may not proceed according to the time frame as described under the above due to various factors. Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits until the relevant business plan materialises.**

SPONSOR'S INTERESTS

Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, neither the Sole Sponsor nor any of its associates has or may, as a result of the Placing, have any interest in any securities of our Company or any other members of our Group (including options or rights to subscribe for such securities).

Neither the Sole Sponsor nor any of its associates has accrued any material benefit as a result of the successful outcome of the Placing, other than the following:

- (i) in taking up the underwriting obligation under the Underwriting Agreement;
- (ii) by way of an underwriting commission to be paid to the Sole Lead Manager for acting as the Underwriters to the Placing pursuant to the Underwriting Agreement;
- (iii) by way of documentation and financial advisory fee to be paid to the Sole Sponsor for acting as the sole sponsor of the Placing;
- (iv) in the appointment of the Sole Sponsor as the compliance adviser of our Company pursuant to Rule 6A.19 of the GEM Listing Rules for a fee for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated in accordance with its terms and conditions; and
- (v) certain associates of the Sole Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after its Listing on GEM.

None of our directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

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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).

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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

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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.

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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.

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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.

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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	<u>(156,049)</u>	<u>(209,756)</u>	<u>(102,655)</u>	<u>(105,225)</u>
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	<u>(67)</u>	<u>(64)</u>	<u>(20)</u>	<u>(74)</u>
Profit before taxation	18,320	34,895	13,668	13,736
Income tax expense	<u>(5,368)</u>	<u>(7,667)</u>	<u>(3,583)</u>	<u>(5,908)</u>
Profit for the year/period	<u>12,952</u>	<u>27,228</u>	<u>10,085</u>	<u>7,828</u>
Other comprehensive income (expense)				
<i>Items that may be reclassified subsequently to profit or loss</i>				
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	<u>–</u>	<u>(288)</u>	<u>(288)</u>	<u>–</u>
Other comprehensive income (expense) for the year/period	<u>776</u>	<u>117</u>	<u>(513)</u>	<u>600</u>
Total comprehensive income for the year/period	<u><u>13,728</u></u>	<u><u>27,345</u></u>	<u><u>9,572</u></u>	<u><u>8,428</u></u>
Profit (loss) for the year/period attributable to:				
Owners of our Company	12,016	25,355	11,217	5,053
Non-controlling interests	<u>936</u>	<u>1,873</u>	<u>(1,132)</u>	<u>2,775</u>
	<u><u>12,952</u></u>	<u><u>27,228</u></u>	<u><u>10,085</u></u>	<u><u>7,828</u></u>

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	Year ended		Six months ended	
	31 December		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
	<u>13,728</u>	<u>27,345</u>	<u>9,572</u>	<u>8,428</u>

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.

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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	%	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
	<u>198,478</u>	<u>100.0</u>	<u>268,282</u>	<u>100.0</u>	<u>129,077</u>	<u>100.0</u>	<u>148,508</u>	<u>100.0</u>

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

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

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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
	<u>198,478</u>	<u>100.0</u>	<u>268,282</u>	<u>100.0</u>	<u>129,077</u>	<u>100.0</u>	<u>148,508</u>	<u>100.0</u>

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%.

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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
	<u>198,478</u>	<u>100.0</u>	<u>268,282</u>	<u>100.0</u>	<u>129,077</u>	<u>100.0</u>	<u>148,508</u>	<u>100.0</u>

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

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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
	<u>156,049</u>	<u>100.0</u>	<u>209,756</u>	<u>100.0</u>	<u>102,655</u>	<u>100.0</u>	<u>105,225</u>	<u>100.0</u>

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.

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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 initiatives 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.

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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		Six months ended	
	31 December		30 June	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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
	<u>1,013</u>	<u>351</u>	<u>134</u>	<u>46</u>

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.

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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		Six months ended	
	31 December		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	–
	<u>(2,833)</u>	<u>721</u>	<u>336</u>	<u>1,542</u>

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.

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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
	<u>22,222</u>	<u>100.0</u>	<u>24,639</u>	<u>100.0</u>	<u>13,204</u>	<u>100.0</u>	<u>23,980</u>	<u>100.0</u>

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”.

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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	% of	2012	% of	2012	% of	2013	% of
	HKD'000	Administrative expenses	HKD'000	Administrative expenses	HKD'000	Administrative expenses	HKD'000	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
	<u>3,204</u>	<u>14.4</u>	<u>2,981</u>	<u>12.1</u>	<u>1,891</u>	<u>14.4</u>	<u>2,305</u>	<u>9.7</u>

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.

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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		Six months ended	
	31 December		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 chargeable 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%.

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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.

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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.

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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.

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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.

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Cash flows

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

	Year ended		Six months ended	
	31 December		30 June	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(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	<u>(6,040)</u>	<u>(5,085)</u>	<u>(93)</u>	<u>(255)</u>
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	<u>257</u>	<u>236</u>	<u>(136)</u>	<u>191</u>
Cash and cash equivalents at the end of the year/period	<u><u>29,098</u></u>	<u><u>29,054</u></u>	<u><u>24,147</u></u>	<u><u>15,826</u></u>

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

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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.

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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

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	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.

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Property, plant and equipment

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

	Buildings <i>HK\$'000</i>	Leasehold improve- ment <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Office equipment	–	1,211	1,068
Motor vehicles	466	200	67
	<u>466</u>	<u>1,411</u>	<u>1,135</u>

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

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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.

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

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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.

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
— 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 slightly by 1.9% for two years ended 31 December 2012, respectively, as a result of our increased

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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
— <i>First tier cities</i> ^(Note 1)	3,902	16,499	24,514
— <i>Second tier cities</i> ^(Note 2)	21,842	27,652	33,350
— <i>Third tier cities and other PRC cities</i> ^(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

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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
	<u>39,596</u>	<u>77,169</u>	<u>107,435</u>

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.

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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%.

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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 2011 <i>HK\$'000</i>	As at 31 December 2012 <i>HK\$'000</i>	As at 30 June 2013 <i>HK\$'000</i>
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	<u>(761,301)</u>	<u>(848,852)</u>	<u>892,249</u>
	<u>(28,203)</u>	<u>(24,137)</u>	<u>12,502</u>
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	<u>(67,799)</u>	<u>(101,306)</u>	<u>(94,933)</u>
	<u>(28,203)</u>	<u>(24,137)</u>	<u>12,502</u>

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

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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.

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)	–
	1,381	551	551
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.

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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	Average credit period offered ^(Note 5)	2012	Average credit period offered ^(Note 5)	2013	Average credit period offered ^(Note 5)
	HK\$'000		HK\$'000		HK\$'000	
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
	<u>31,513</u>		<u>72,756</u>		<u>54,096</u>	

Notes:

- According to the Ipsos Report, first-tier cities include Beijing, Shanghai, Guangzhou, Shenzhen.
- 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.
- 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, Jiaying, Weifang, Tangshan, Xuzhou, Jinhua, Quanzhou, Luoyang, Lanzhou, Haikou, Jilin, Xiangyang, Shantou.
- 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.
- 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.

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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.

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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

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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

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>31,513</u>	<u>72,756</u>	<u>54,096</u>

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
	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>15,250</u>	<u>28,268</u>	<u>24,668</u>

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	16,263	43,749	21,560
Past due but not impaired	15,250	25,587	18,236
	31,513	69,336	39,796

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

	Year ended 31 December		Six months ended
	2011	2012	30 June 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
	2011	2012	30 June 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.

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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
	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2013
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
	2011	2012	ended
Creditors' turnover days ^{Note}	56.6 days	83.6 days	30 June 2013

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.

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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
	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2013
			<i>HK\$'000</i>
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

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Tohatsu 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			Present value of minimum lease payments at		
	31 December		30 June	31 December		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
	<u>321</u>	<u>1,972</u>	<u>1,736</u>	<u>280</u>	<u>1,764</u>	<u>1,538</u>
Less: Future finance charges	<u>(41)</u>	<u>(208)</u>	<u>(198)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Present value of lease obligations	<u>280</u>	<u>1,764</u>	<u>1,538</u>	280	1,764	1,538
Less: Amounts due for settlement within 12 months (shown under current liabilities)				<u>(160)</u>	<u>(449)</u>	<u>(351)</u>
Amounts due for settlement after 12 months				<u>120</u>	<u>1,315</u>	<u>1,187</u>

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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.

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KEY FINANCIAL RATIOS

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

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

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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,

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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 June 2013, 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.

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CAPITAL EXPENDITURES

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

	As at 31 December		As at
	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2013
			<i>HK\$'000</i>
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
	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
	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2013
			<i>HK\$'000</i>
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
	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.

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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	–
	<u>1,488</u>	<u>1,764</u>	<u>3,761</u>	<u>1,397</u>

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.

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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.

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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.

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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.

FINANCIAL INFORMATION

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 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Placing <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share <i>HK\$</i> <i>(Note 3)</i>
Based on Placing Price of HK\$0.7 per Placing Share	<u>58,702</u>	<u>18,738</u>	<u>77,440</u>	<u>0.43</u>
Based on Placing Price of HK\$0.9 per Placing Share	<u>58,702</u>	<u>27,423</u>	<u>86,125</u>	<u>0.48</u>

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.

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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.

UNDERWRITING

UNDERWRITERS

China Everbright Securities (HK) Limited

BMI Securities Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Underwriters will arrange for the placing of the Placing Shares with selected individual, professional and institutional investors in Hong Kong at the Placing Price, and the Company shall allot and issue the Placing Shares, on and subject to the terms and conditions set out in the Underwriting Agreement and this prospectus.

Subject to, among other conditions, the Stock Exchange granting the listing of and permission to deal in all the Shares in issue and any Shares to be issued as mentioned in this prospectus pursuant to the Capitalisation Issue and the Placing (including the Offer Size Adjustment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme) and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriters have agreed to subscribe for or procure subscribers to subscribe for the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

In connection with the Placing, the Company has granted to the Sole Lead Manager the Offer Size Adjustment Option, exercisable by the Sole Lead Manager in its discretion, to require the Company to issue and allot up to an aggregate of 6,750,000 additional Shares for the purpose of covering any excess demand in the Placing. Further information on the Offer Size Adjustment Option is set forth in the section headed "Structure and Conditions of the Placing" in this prospectus.

Grounds for Termination

The Sole Lead Manager (for itself and on behalf of the Underwriters) may in its sole discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there has come to the notice of the Sole Sponsor and/or the Sole Lead Manager:
 - (i) any statement contained in this prospectus, the formal notice, any submissions, documents or information provided to the Sole Sponsor and/or the Sole Lead Manager, any announcements or documents issued by the Company in connection with the Placing (including any supplement or amendment thereto) (the "**Relevant Documents**"), considered by the Sole Lead Manager in its sole opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading or any expressions of opinion, intention or expectation contained in any of such documents are not, in the sole opinion of the Sole Lead Manager, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole;

UNDERWRITING

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Lead Manager in its sole opinion to be material in the context of the Placing;
- (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Sole Lead Manager in its sole opinion to be material in the context of the Placing (other than upon any of the Sole Sponsor, the Sole Lead Manager and the Underwriters) (as the case may be);
- (iv) either (1) there has been a breach of any of the representations, warranties and undertakings given by any of the warrantors or provisions set out in the Underwriting Agreement by any of the warrantors or (2) any matter or event showing or rendering any of the representations, warranties and undertakings contained in the Underwriting Agreement, as applicable, in the sole opinion of the Sole Lead Manager, to be untrue, incorrect, inaccurate or misleading when given or repeated;
- (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the warrantors under the Underwriting Agreement pursuant to the indemnity provisions under the Underwriting Agreement or the Placing to be performed or implemented as envisaged;
- (vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any of the representations, warranties and undertakings contained in the Underwriting Agreement, in the sole opinion of the Sole Lead Manager, to be untrue, incorrect, inaccurate or misleading;
- (vii) approval by the Listing Division of the listing of, and permission to deal in, the Shares is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (viii) our Company withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated issue and sale of the Placing Shares) without the prior consent of the Sole Sponsor and/or the Sole Lead Manager; or
- (ix) any person (other than the Sole Sponsor or the Sole Lead Manager) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

UNDERWRITING

- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, strikes, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong, the BVI or the Cayman Islands or any other jurisdictions relevant to any member of our Group (together, the “**Relevant Jurisdictions**”);
 - (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting any of the Relevant Jurisdictions;
 - (iii) any change in the general fund raising environment in Hong Kong or elsewhere;
 - (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions;
 - (v) the imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions;
 - (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus;
 - (vii) any litigation or claim of material importance being threatened or instigated against any member of our Group or any Director;

UNDERWRITING

- (viii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (ix) the chairman of our Company vacating his office;
- (x) the commencement by any governmental, regulatory or political body or organisation of any action against a Director or a member of our Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action;
- (xi) any contravention by any member of our Group or any Director of the Companies Ordinance, the Cayman Companies Law, the GEM Listing Rules, the SFO or any applicable laws, rules and regulations;
- (xii) a prohibition on our Company for whatever reason from allotting or issuing the Placing Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option) pursuant to the terms of the Placing;
- (xiii) non-compliance of this prospectus (and/or any other documents used in connection with the issue and sale of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable laws, rules and regulations;
- (xiv) other than with the written approval of the Sole Sponsor and/or the Sole Lead Manager, the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the issue or sale of the Placing Shares) pursuant to the Companies Ordinance or the GEM Listing Rules;
- (xv) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (xvi) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group;
- (xvii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group; or
- (xviii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange,

UNDERWRITING

which in each case or in aggregate in the absolute opinion of the Sole Lead Manager:

- (A) is or will be or maybe or likely to be materially adverse to or may materially prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group or to any present or prospective shareholder in his, her or its capacity as such;
- (B) has or will have or might have or is likely to have a material adverse effect on the success or marketability or pricing of the Placing or the level of applications in the Placing or the level of interest under the Placing;
- (C) makes or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Relevant Documents; or
- (D) has or would have the effect of making any part of the Underwriting Agreement incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof,

then the Sole Lead Manager may in its sole discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreement with immediate effect.

Commission and Expenses

The Underwriters will receive an underwriting commission of 3.5% of the aggregate Placing Price of all Placing Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option), which are to be borne by the Company, out of which the Underwriters will pay any sub-underwriting commission. The total commission and expenses relating to the Placing and Listing (including the GEM Listing fees, legal and other professional fees, and printing fees), are estimated to amount to approximately HK\$20.0 million and are to be born by our Company.

Underwriters' interest in our Company

Save as provided for under the Underwriting Agreement, none of the Underwriters has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares.

UNDERWRITING

Undertakings

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with the Sole Sponsor, the Sole Lead Manager and the Underwriters that our Company will not, and each of the Controlling Shareholders and executive Directors has undertaken to the Sole Sponsor, the Sole Lead Manager and the Underwriters that it/he will procure our Company not to, without the prior written consent of the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, except for the issue of Shares under the Capitalisation Issue and the Placing (including the Offer Size Adjustment Option and any options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme):

- (i) at any time during the period of six months from the Listing Date (the “**First Six-month Period**”) offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company so as to result in any of the Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

UNDERWRITING

Each of the Controlling Shareholders has, jointly and severally, undertaken to and covenanted with each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Lead Manager and the Underwriters that, without the prior written consent of the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, it/he shall not, and shall procure none of its/his associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him to:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (ii) at any time during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event that it/he enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of the Controlling Shareholders has undertaken to and covenanted with our Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters and the Stock Exchange that:

- (i) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the Second Six-month Period expires, it/he must inform our Company, the Sole Sponsor and the Sole Lead Manager immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

UNDERWRITING

- (ii) having pledged or charged any of its/his interests in the Shares or other securities of our Company under sub-paragraph (i) above, it/he must inform our Company, the Sole Sponsor and the Sole Lead Manager immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of announcement in accordance with the GEM Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Our Company, the Controlling Shareholders and the executive Directors have agreed to indemnify the Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company or the Controlling Shareholders or the executive Directors of the Underwriting Agreement.

STRUCTURE AND CONDITIONS OF THE PLACING

PRICE PAYABLE ON SUBSCRIPTION

The Placing Price plus a 1% brokerage fee, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee make up the total price payable in cash on subscription.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM; and
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) and the Underwriting Agreement not being terminated in accordance with the terms of that agreement or otherwise),

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) or if not as stipulated by 8:00 a.m. on the Listing Date or such other dates as the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) may agree but in any event not later than the 30th day after the date of this prospectus.

If such conditions are not fulfilled or waived by the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) on or before the dates and times specified in the Underwriting Agreement, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the website of the Stock Exchange and our Company's website at www.cchengholdings.com on the next Business Day following such lapse.

THE PLACING

45,000,000 Placing Shares are being offered pursuant to the Placing, representing in aggregate 25% of the enlarged issued share capital of our Company immediately after the Capitalisation Issue and completion of the Placing.

The Placing is fully underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreement, and also subject to the Placing Price being fixed by the Price Determination Agreement. Pursuant to the Placing, it is expected that the Underwriters, on behalf of our Company, will conditionally place 45,000,000 Placing Shares at the Placing Price to selected individual, professional and institutional investors in Hong Kong.

STRUCTURE AND CONDITIONS OF THE PLACING

BASIS OF ALLOCATION

Allocation of the Placing Shares to selected individual, professional and institutional investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, which provides that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Placing, our Company has granted the Offer Size Adjustment Option to the Sole Lead Manager (for itself and on behalf of the Underwriters). Under the Offer Size Adjustment Option, which will be exercisable at any time before 6:00 p.m. on the Business Day immediately before the date of allotment results announcement with respect to the level of indication of interest in the Placing, the Sole Lead Manager (for itself and on behalf of the Underwriters) shall have the right to require our Company to issue and allot at the Placing Price up to an aggregate of 6,750,000 additional Shares, representing 15% of the Placing Shares initially made available for subscription under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Sole Lead Manager (for itself and on behalf of the Underwriters) in its sole and absolute discretion may decide to whom and the proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, our Company will be required to issue 6,750,000 additional new Shares, representing approximately 3.61% of our Company's total enlarged number of Shares in issue immediately following completion of the Placing and the Capitalisation Issue and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon exercise of any options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme. If the Sole Lead Manager (for itself and on behalf of the Underwriters) decides to exercise the Offer Size Adjustment Option, it will be exercised to cover excess demand in the Placing. The Placing Shares (including any excess demand) will be allocated by the Sole Lead Manager (for itself and on behalf of the Underwriters) prior to the commencement of trading of the Shares on GEM.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Lead Manager (for itself and on behalf of the Underwriters) to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market

STRUCTURE AND CONDITIONS OF THE PLACING

after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by that time, then the Offer Size Adjustment Option will have lapsed and cannot be exercised on any future date.

PLACING PRICE

The Placing Price (plus brokerage of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%) make up the total price payable on subscription and purchase of our Placing Shares. Assuming a Placing Price of HK\$0.8 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.7 to HK\$0.9 per Placing Share, the net proceeds from the Placing are estimated to be approximately HK\$16.0 million (assuming the Offer Size Adjustment Option is not exercised), after deduction of the underwriting commission and other expenses relating to the Placing and the Listing payable by our Company.

The level of indication of interest in the Placing will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.cchengholdings.com on Thursday, 19 December 2013.

The Placing Price is expected to be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Wednesday, 18 December 2013. If the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Placing Price by Wednesday, 18 December 2013, the Placing will not become unconditional and will not proceed. The Sole Lead Manager (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the Placing Price range below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the GEM website at www.hkgem.com and our Company's website at www.cchengholdings.com an announcement of such reduction on or before the Price Determination Date.

The Placing Price will not be more than HK\$0.90 per Placing Share and is expected to be not less than HK\$0.70 per Placing Share unless otherwise announced. Subscribers, when subscribing for the Shares, shall pay the Placing Price plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. Assuming the Placing Price of HK\$0.90 or HK\$0.70 per Share (being the highest and lowest points of indicative Placing Price range, respectively), investors shall pay HK\$3,636.29 or HK\$2,828.22 for every board lot of 4,000 Shares, respectively. The Placing Price will fall within the indicative Placing Price range as stated in this prospectus unless otherwise announced.

STRUCTURE AND CONDITIONS OF THE PLACING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of the shares on any other stock exchange. We have not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on 20 December 2013. Shares will be traded in board lots of 4,000 Shares each and are freely transferable.

Our Company will not issue any temporary document of title. The GEM stock code for the Shares is 8320.



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16 December 2013

The Directors
C Cheng Holdings Limited
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the combined financial information relating to C Cheng Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the two years ended 31 December 2011 and 2012 and for the six months ended 30 June 2013 (the "Relevant Periods") (the "Financial Information"), for the inclusion in this prospectus of the Company dated 16 December 2013 (the "Prospectus") in connection with the proposed listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated on 13 May 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time. Pursuant to a group reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix IV to the Prospectus (the "Group Reorganisation"), the Company became the holding company of the Group on 5 December 2013.

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Equity interest attributable to the Group			At the date of this report	Issued and fully paid up ordinary share capital/ registered capital	Principal activities
			At 31 December 2011	At 2012	At 30 June 2013			
Helfrich Ventures Limited ("Helfrich Ventures") ⁽¹⁾	British Virgin Islands ("BVI") 15 January 2013	Hong Kong	-	-	100%	100%	United States Dollars ("US\$") 1	Investment holding
LWK & Partners (HK) Limited ("LWK Hong Kong")	Hong Kong 19 October 1995	Hong Kong	100%	100%	100%	100%	Hong Kong Dollars ("HK\$") 1,000,000	Provision of comprehensive architectural service and investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Equity interest attributable to the Group			At the date of this report	Issued and fully paid up ordinary share capital/ registered capital	Principal activities
			At 31 December 2011	At 2012	At 30 June 2013			
LWK Conservation Limited ("LWK Conservation")	Hong Kong 12 June 2006	Hong Kong	60%	100%	100%	100%	HK\$10,000	Provision of comprehensive architectural service
LWK Design (Macau) Limitada ("LWK Macau")	Macau 9 July 2012	Macau	-	70%	100%	100%	MOP30,000	Provision of comprehensive architectural service
梁黃翺設計顧問(深圳)有限公司 ("LWK Shenzhen")	The People's Republic of China ("PRC") 20 September 2002	PRC	100%	100%	100%	100%	HK\$1,000,000	Provision of comprehensive architecture service
深圳市梁黃翺藝恒建築設計有限公司 ⁽²⁾ ("LWK Yiheng")	PRC 24 September 1986	PRC	75%	75%	75%	99%	RMB3,000,000	Provision of comprehensive architecture service
廣州梁黃翺建築有限公司 ("LWK Guangzhou")	PRC 22 November 2012	PRC	-	100%	100%	100%	RMB3,000,000	Provision of comprehensive architecture service

- (1) Helffrich Ventures is directly held by the Company. All other subsidiaries are indirectly held by the Company.
- (2) LWK Hong Kong acquired 75% interest in LWK Yiheng at a cash consideration of approximately HK\$4,348,000 during the year ended 31 December 2011. Details of the acquisition have been set out in Note 33 to Section I of the Financial Information.

The financial year end date of all the companies comprising the Group is 31 December.

No audited financial statements have been prepared for the Company, Helffrich Ventures and LWK Macau since their respective dates of incorporation as they are incorporated in jurisdictions where there is no statutory audit requirement. No audited financial statements have been prepared for LWK Guangzhou for the period from 22 November 2012 (date of its establishment) to 31 December 2012 because there is no statutory audit requirement for the year of establishment. For the purpose of this report, we have reviewed all the relevant transactions of these companies since their respective date of incorporation/establishment and carried out such procedures as we considered necessary in preparing our report for inclusion in the Prospectus.

The statutory financial statements of LWK Hong Kong for the two years ended 31 December 2011 and 2012 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by T.K. Lo & Company and Peleus & Co., Certified Public Accountants registered in Hong Kong, respectively.

For the purpose of this report, the directors of LWK Hong Kong have prepared the consolidated financial statements of LWK Hong Kong and its subsidiaries for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "LWK Hong Kong Financial Statements"). We have undertaken an independent audit on the LWK Hong Kong Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The statutory financial statements of LWK Conservation for the two years ended 31 December 2011 and 2012 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA and were audited by Peleus & Co., Certified Public Accountants registered in Hong Kong.

The statutory financial statements of LWK Shenzhen and LWK Yiheng were prepared in accordance with relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by 深圳廣和會計師事務所, Certified Public Accountants registered in the PRC, for the two years ended 31 December 2011 and 2012.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the LWK Hong Kong Financial Statements, management accounts of the Company and Helfrich Ventures (collectively referred to as "Underlying Financial Statements") on the basis set out in note 2 to Section I below, after making such adjustments as we consider appropriate in preparing our report for inclusion in the Prospectus.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of LWK Hong Kong, the Company and Helfrich Ventures who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 to Section I below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2011 and 2012 and 30 June 2013, and of the Company as at 30 June 2013, and of the combined profit and cash flows of the Group for the Relevant Periods.

The comparative combined statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the six months ended 30 June 2012 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "30 June 2012 Financial Information") which were prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2012 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 June 2012 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2012 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2012 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(I) FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		Six months ended 30 June	
		2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (Unaudited)	2013 HK\$'000
Revenue	6	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	7	1,013	351	134	46
Other gains and losses	8	(2,833)	721	336	1,542
Administrative expenses		(22,222)	(24,639)	(13,204)	(23,980)
Listing expenses		-	-	-	(7,081)
Finance costs	9	(67)	(64)	(20)	(74)
Profit before taxation	10	18,320	34,895	13,668	13,736
Income tax expense	12	(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) <i>Items that may be reclassified subsequently to profit or loss</i>					
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 the 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
Total comprehensive income (expense) for the year/period attributable to:					
Owners of the 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

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		At 30 June
	Notes	2011	2012	2013
		HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	15	13,106	15,169	13,774
Goodwill	16	4,721	4,758	4,834
Intangible assets	17	4,373	3,235	2,676
Available-for-sale financial assets	18	1,783	–	–
Rental and utility deposits	19	3,263	3,251	3,378
Deferred tax assets	20	1,156	620	1,428
		<u>28,402</u>	<u>27,033</u>	<u>26,090</u>
Current assets				
Held-for-trading investments	21	3,788	554	485
Amounts due from customers for contract work	22	39,596	77,169	107,435
Progress billings receivable from contract customers	23	31,513	72,756	54,096
Prepayments and other receivables	19	1,436	1,993	3,540
Pledged bank deposits	24	1,744	1,744	1,744
Bank balances and cash	24	30,305	29,054	18,049
		<u>108,382</u>	<u>183,270</u>	<u>185,349</u>
Current liabilities				
Trade payables	25	2,530	4,764	4,200
Accruals and other payables	26	22,284	36,885	25,717
Amounts due to customers for contract work	22	67,799	101,306	94,933
Obligations under finance leases	27	160	449	351
Income tax payable		4,642	5,292	10,009
Bank overdrafts	28	1,207	–	2,223
		<u>98,622</u>	<u>148,696</u>	<u>137,433</u>
Net current assets		<u>9,760</u>	<u>34,574</u>	<u>47,916</u>
Total assets less current liabilities		<u>38,162</u>	<u>61,607</u>	<u>74,006</u>

	<i>Notes</i>	At 31 December		At 30 June
		2011	2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities				
Obligations under finance leases	27	120	1,315	1,187
Deferred tax liabilities	20	3,911	3,680	2,598
		<u>4,031</u>	<u>4,995</u>	<u>3,785</u>
Net assets		<u>34,131</u>	<u>56,612</u>	<u>70,221</u>
Capital and reserves				
Issued capital	29	1,000	1,020	1,000
Reserves		32,345	53,222	64,150
		<u>33,345</u>	<u>54,242</u>	<u>65,150</u>
Equity attributable to owners of the Company		33,345	54,242	65,150
Non-controlling interests		786	2,370	5,071
		<u>786</u>	<u>2,370</u>	<u>5,071</u>
Total equity		<u>34,131</u>	<u>56,612</u>	<u>70,221</u>

STATEMENT OF FINANCIAL POSITION

THE COMPANY

	<i>Notes</i>	At 30 June 2013 HK\$'000
Non-current asset		
Investment in a subsidiary	34(ii)	–
Current liabilities		
Amount due to a subsidiary	40(ii)	<u>7,081</u>
Net current liabilities		<u>(7,081)</u>
Net liabilities		<u><u>(7,081)</u></u>
Capital and reserve		
Share capital	29	–
Accumulated loss	30	<u>(7,081)</u>
Deficit		<u><u>(7,081)</u></u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								Non-controlling interests	Total
	Investment	Statutory reserve (Note 1)	Other reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total		
	Issued capital									
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2011	1,000	627	2,165	-	5,303	17,390	26,485	(139)	26,346	
Profit for the year	-	-	-	-	-	12,016	12,016	936	12,952	
Fair value loss of available-for-sale financial assets	-	(373)	-	-	-	-	(373)	-	(373)	
Exchange differences arising on translation	-	-	-	-	1,097	-	1,097	52	1,149	
Total comprehensive (expense) income for the year	-	(373)	-	-	1,097	12,016	12,740	988	13,728	
Acquisition of a subsidiary (Note 33 to Section I)	-	-	-	-	-	-	-	(63)	(63)	
Dividends recognised as distribution (Note 14 to Section I)	-	-	-	-	-	(5,880)	(5,880)	-	(5,880)	
At 31 December 2011	1,000	254	2,165	-	6,400	23,526	33,345	786	34,131	
Profit for the year	-	-	-	-	-	25,355	25,355	1,873	27,228	
Fair value gain of available-for-sale financial assets	-	34	-	-	-	-	34	-	34	
Reclassification adjustment upon disposal of available-for-sale financial assets	-	(288)	-	-	-	-	(288)	-	(288)	
Exchange differences arising on translation	-	-	-	-	333	-	333	38	371	
Total comprehensive (expense) income for the year	-	(254)	-	-	333	25,355	25,434	1,911	27,345	
Incorporation of LWK Macau	20	-	-	-	-	-	20	9	29	
Dividends recognised as distribution (Note 14 to Section I)	-	-	-	-	-	(4,893)	(4,893)	-	(4,893)	
Acquisition of additional interest in LWK Conservation (Note 2)	-	-	-	336	-	-	336	(336)	-	
At 31 December 2012	1,020	-	2,165	336	6,733	43,988	54,242	2,370	56,612	

	Attributable to owners of the Company								Total
	Investment	Statutory reserve (Note 1)	Other reserve	Exchange reserve	Retained profits	Total	Non- controlling interests	Total	
	Issued capital								
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Profit for the period	-	-	-	-	-	5,053	5,053	2,775	7,828
Exchange differences arising on translation	-	-	-	-	571	-	571	29	600
Total comprehensive income for the period	-	-	-	-	571	5,053	5,624	2,804	8,428
Acquisition of LWK Macau (Note 3)	(20)	-	-	94	-	-	74	(103)	(29)
Recognition of equity- settled share-based payment (Note 4)	-	-	-	5,210	-	-	5,210	-	5,210
At 30 June 2013	<u>1,000</u>	<u>-</u>	<u>2,165</u>	<u>5,640</u>	<u>7,304</u>	<u>49,041</u>	<u>65,150</u>	<u>5,071</u>	<u>70,221</u>
At 1 January 2012 (Audited)	<u>1,000</u>	<u>254</u>	<u>2,165</u>	<u>-</u>	<u>6,400</u>	<u>23,526</u>	<u>33,345</u>	<u>786</u>	<u>34,131</u>
Profit (loss) for the period	-	-	-	-	-	11,217	11,217	(1,132)	10,085
Fair value gain of available-for-sale financial assets	-	34	-	-	-	-	34	-	34
Reclassification adjustment upon disposal of available-for-sale financial assets	-	(288)	-	-	-	-	(288)	-	(288)
Exchange differences arising on translation	-	-	-	-	(276)	-	(276)	17	(259)
Total comprehensive income for the period	-	(254)	-	-	(276)	11,217	10,687	(1,115)	9,572
At 30 June 2012 (Unaudited)	<u>1,000</u>	<u>-</u>	<u>2,165</u>	<u>-</u>	<u>6,124</u>	<u>34,743</u>	<u>44,032</u>	<u>(329)</u>	<u>43,703</u>

Note 1: The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. Appropriation to such reserve is made out of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries while the amount and allocation basis is decided by their respective boards of directors annually. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.

Note 2: On 31 December 2012, 40% 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. Other reserve represents the difference between the consideration and the attributable net assets of LWK Conservation at the date of transfer. After the transfer, LWK Conservation became a wholly owned subsidiary of LWK Hong Kong.

Note 3: 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. Ronald Liang (“Mr. Liang”) and Mr. Fu Chin Shing (“Mr. Fu”) at a cash consideration of MOP30,000 (equivalent to approximately HK\$29,000). Other reserve represents (i) the difference between the consideration and the attributable net assets of LWK Macau at the date of transfer and; (ii) the transfer of the quota capital of LWK Macau attributable to owners of the Company. After the acquisition, LWK Macau became a wholly owned subsidiary of LWK Hong Kong. Details of the acquisition have been set out in Note 2 to Section I of the Financial Information.

Note 4: 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 Jun You (“Mr. Wang”) for a total consideration of HK\$8.28 million. The amount recognised in other reserve represents the effect of the share based payment to Mr. Wang estimated by reference to difference between the consideration and the fair value of the 11.33% of LWK Hong Kong at the date of transfer.

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		Six months ended 30 June	
		2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
				(Unaudited)	
Operating activities					
Profit before tax		18,320	34,895	13,668	13,736
Adjustments for:					
Dividend income		(109)	-	-	-
Depreciation of property, plant and equipment		3,454	3,605	1,799	2,032
Loss (gain) on disposal of property, plant and equipment		582	6	29	(1,688)
Allowance for doubtful debts		1,330	-	-	-
Interest expenses and finance lease charges		67	64	20	74
Amortisation of intangible assets		866	1,171	613	597
Loss from changes in fair values of held-for-trading investments		941	46	60	78
Interest income		(55)	(100)	(45)	(39)
Recognition of equity-settled share-based payment		-	-	-	5,210
Gain on disposal of available-for-sale financial assets		-	(288)	(288)	-
		<u>25,396</u>	<u>39,399</u>	<u>15,856</u>	<u>20,000</u>
Operating cash flows before movements in working capital					
(Increase) decrease in rental and utility deposits		(75)	12	(71)	(127)
Increase in amounts due from customers for contract work		(8,802)	(37,573)	(17,376)	(29,349)
Decrease in held-for-trading investments		-	3,192	3,192	-
(Increase) decrease in progress billings receivable from contract customers		(1,949)	(41,243)	(19,247)	18,924
Decrease (increase) in prepayments and other receivables		3,523	(557)	(530)	(1,547)
Increase (decrease) in amounts due to customers for contract work		14,754	33,507	18,251	(7,111)
(Decrease) increase in trade payables		(2,172)	2,234	(371)	(564)
(Decrease) increase in accruals and other payables		(6,882)	14,603	1,447	(11,418)
		<u>23,793</u>	<u>13,574</u>	<u>1,151</u>	<u>(11,192)</u>
Cash generated from/(used in) operations					
Interest and finance lease charges paid		(67)	(64)	(20)	(74)
Income tax paid		(3,244)	(6,694)	(5,978)	(3,094)
		<u>20,482</u>	<u>6,816</u>	<u>(4,847)</u>	<u>(14,360)</u>
Net cash from/(used in) operating activities					

	Note	Year ended 31 December		Six months ended 30 June	
		2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (Unaudited)	2013 HK\$'000
Investing activities					
Acquisition of LWK Yiheng	33	31	-	-	-
Dividend income		109	-	-	-
Purchases of property, plant and equipment		(7,827)	(3,993)	(1,757)	(2,493)
Proceeds from disposal of property, plant and equipment		1,388	65	20	3,650
Proceeds from disposal of available-for-sale financial assets		-	1,817	1,817	-
Interest received		55	100	45	39
Net cash (used in) from investing activities		<u>(6,244)</u>	<u>(2,011)</u>	<u>125</u>	<u>1,196</u>
Financing activities					
Repayment of obligations under finance leases		(160)	(221)	(93)	(226)
Dividends paid		(5,880)	(4,893)	-	-
Acquisition of LWK Macau		-	-	-	(29)
Proceeds from issue of quota capital of LWK Macau		-	29	-	-
Net cash used in financing activities		<u>(6,040)</u>	<u>(5,085)</u>	<u>(93)</u>	<u>(255)</u>
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 rate changes		257	236	(136)	191
Cash and cash equivalents at end of the year/period		<u>29,098</u>	<u>29,054</u>	<u>24,147</u>	<u>15,826</u>
Represented by:					
Bank balances and cash		30,305	29,054	24,147	18,049
Bank overdrafts		(1,207)	-	-	(2,223)
		<u>29,098</u>	<u>29,054</u>	<u>24,147</u>	<u>15,826</u>

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated on 13 May 2013 in the Cayman Islands under the Companies Law, Chapter 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the Prospectus. The directors of the Company consider the immediate holding company and ultimate holding company of the Group is Rainbow Path International Limited, a limited liability company incorporated in BVI, and the ultimate controlling party is Mr. Liang.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in provision of comprehensive architectural service.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Before the completion of the Group Reorganisation, LWK Hong Kong was owned by Mr. Liang, Mr. Fu and Rich World Services Limited (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. The 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 the Company and Helffrich Ventures between the shareholders and LWK Hong Kong which completed on 5 December 2013, the Company became the holding company of the Group.

Accordingly, the Financial Information has been prepared as if the Company had always been the holding company of the 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 the 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 the Group (other than the acquisition of LWK Yiheng as set out in note 33), where this is a shorter period. The combined statements of financial position of the 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 the Group as if the current group structure had been in existence as at those dates.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2013 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new standard, amendments to standards or interpretation which are not yet effective.

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ²
HKFRS 9	Financial Instruments ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ²
Amendments to HKAS 39	Novations of Derivatives and Continuation of Hedge Accounting ²
HK(IFRIC)-Int 21	Levies ²

¹ Effective for annual periods beginning on or after 1 January 2015

² Effective for annual periods beginning on or after 1 January 2014

Management of the Group anticipates that the application of these new standard, amendments to standards or interpretation will have no material impact on the Financial Information of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA and include the relevant disclosure requirements set out in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of combination

The combined financial information incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power over the investee; exposure, or has rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the Company's returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of profit or loss and total comprehensive income to non-controlling interests

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations (other than business combinations involving entities under common control)

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

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 the 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.

Investment in a subsidiary

Investment in a subsidiary is carried at cost less any impairment loss.

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 service can be estimated reliably, revenue from a fixed price contract of comprehensive architectural service 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 service 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 the 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 the Group's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the 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

The 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL include held-for-trading investments.

A financial asset is classified as held-for-trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial assets and is included in the other gains and losses line item in the combined statements of profit or loss and other comprehensive income.

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).

Available-for-sale financial assets

Available-for-sale financial assets ("AFS") are non-derivatives that are either designated or not classified as any of the other categories. Equity securities held by the Group that are classified as AFS and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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 receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, 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 an 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 loss was recognised, the previously recognised impairment loss is 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

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

On derecognition of a financial asset 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.

The Group derecognises financial liabilities when, and only when, the 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.

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

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

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Where the lease payments cannot be allocated reliably between the land and building elements, the entire lease is classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the combined financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the combined statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at costs less any accumulated impairment losses.

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.

Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes, which are defined contribution plans, are recognised as an expense when employees have rendered services entitling them to the contribution.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, the management of the Group is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Contracts of comprehensive architectural service

Management estimates the amount of foreseeable losses or attributable profits of architecture works based on the latest available budgets of the contracts of comprehensive architectural service with reference to the overall performance of each contract of comprehensive architectural service and management's best estimates and judgments.

Notwithstanding that management reviews and revises the estimates of contract costs for the contract of comprehensive architectural service as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Impairment of progress billings receivable from contract customers

The allowance for bad and doubtful receivable from contract customers is estimated based on the evaluation of collectability and aging analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of progress billings receivable from contract customers is approximately HK\$31,513,000, HK\$72,756,000 and HK\$54,096,000 as at 31 December 2011 and 2012 and 30 June 2013, respectively.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets resulted from the acquisition of LWK Yiheng are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and the intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The aggregate carrying amounts of goodwill and intangible assets are approximately HK\$8,525,000, HK\$7,424,000 and HK\$7,156,000 as at 31 December 2011 and 2012 and 30 June 2013, respectively. Details of impairment testing of goodwill is set out in note 16.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the contract revenue for comprehensive architectural service recognised during the Relevant Periods.

The Group has only one single operating segment of provision of comprehensive architectural service. The Group's chief operating decision maker (the Chief Executive Officer of the Group) regularly reviews the combined results of the Group as a whole for the purposes of resource allocation and assessment of performance.

The Group considers segment revenue and segment results as revenue from external customers and profit for the year/period before considering the effect of intangible asset recognised and fair value adjustments arising from acquisition of LWK Yiheng and the related tax effect ("LWK Yiheng Fair Value Adjustments"). No segment information on assets and liabilities is presented as such information is not reported to the Group's chief operating decision maker.

	Year ended		Six months ended	
	31 December		30 June	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Segment revenue	199,875	269,637	129,764	148,519
Reconciliation				
LWK Yiheng Fair Value Adjustments	<u>(1,397)</u>	<u>(1,355)</u>	<u>(687)</u>	<u>(11)</u>
Combined revenue	<u>198,478</u>	<u>268,282</u>	<u>129,077</u>	<u>148,508</u>
Segment result	15,485	29,714	11,338	9,158
Reconciliation				
LWK Yiheng Fair Value Adjustments	<u>(2,533)</u>	<u>(2,486)</u>	<u>(1,253)</u>	<u>(1,330)</u>
Combined profit for the year/period	<u>12,952</u>	<u>27,228</u>	<u>10,085</u>	<u>7,828</u>

Revenue from major services

The following is an analysis of the Group's revenue from its major services:

	Year ended 31 December		Six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
Architecture	183,069	240,563	117,065	137,951
Landscape architecture, town planning, interior design and heritage conservation	15,409	27,719	12,012	10,557
	<u>198,478</u>	<u>268,282</u>	<u>129,077</u>	<u>148,508</u>

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets other than available-for-sale financial assets and deferred tax assets.

	Revenue from external customers				Non-current assets		
	Year ended 31 December		Six months ended 30 June		At 31 December		At 30 June
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Place of domicile of group entity:							
Hong Kong	39,018	69,861	31,752	43,051	10,617	11,324	10,472
PRC	107,881	135,486	72,613	58,362	14,846	15,089	14,190
Macau	-	528	330	661	-	-	-
Foreign location/countries:							
PRC	50,405	61,928	23,964	43,384	-	-	-
South Korea and Macau	1,174	479	418	3,050	-	-	-
	<u>198,478</u>	<u>268,282</u>	<u>129,077</u>	<u>148,508</u>	<u>25,463</u>	<u>26,413</u>	<u>24,662</u>

Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December		Six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
			(Unaudited)	
Customer A	*	33,909	*	*
Customer B	28,082	*	14,092	*
Customer C	22,632	*	*	*
Customer D	*	*	15,722	15,635
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* The corresponding revenue did not contribute over 10% of the combined revenue for the respective year/period.

7. OTHER INCOME

	Year ended 31 December		Six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,013</u>	<u>351</u>	<u>134</u>	<u>46</u>

8. OTHER GAINS AND LOSSES

	Year ended 31 December		Six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 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	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>(2,833)</u>	<u>721</u>	<u>336</u>	<u>1,542</u>

9. FINANCE COSTS

	Year ended 31 December		Six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
Interest expense on:				
Bank overdrafts	56	16	6	64
Obligations under finance leases	11	48	14	10
	<u>67</u>	<u>64</u>	<u>20</u>	<u>74</u>

10. PROFIT BEFORE TAXATION

	Year ended 31 December		Six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
Profit before taxation has been arrived at after charging:				
Auditors' remuneration	97	800	9	9
Depreciation of property, plant and equipment	3,454	3,605	1,799	2,032
Amortisation of intangible assets (<i>Note 1</i>)	866	1,171	613	597
Operating lease payments (<i>Note 2</i>)	9,891	11,899	5,844	6,475
Staff costs				
— Salaries allowances and other benefits	103,391	142,066	64,169	84,241
— Operating lease payments	141	237	102	478
— Contributions to retirements benefits	3,403	4,171	1,893	2,458
— Equity-settled share-based payment	—	—	—	5,210
Total staff costs (including directors' emoluments)	<u>106,935</u>	<u>146,474</u>	<u>66,164</u>	<u>92,387</u>

Note 1: Included in cost of services.

Note 2: The amount includes the operating lease payments for staff quarters approximately amounting to HK\$141,000, HK\$237,000, HK\$102,000 (unaudited) and HK\$478,000 for the year ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively which are included in the total staff costs above.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the executive directors of the Company were as follows:

Year ended 31 December 2011

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus (Note 2) HK\$'000	Retirement benefit scheme contributions HK\$'000	
Mr. Liang	–	2,722	–	96	2,818
Mr. Fu (Note 1)	–	1,366	–	84	1,450
Mr. Wang	–	376	–	49	425
Mr. He Xiao	–	823	–	12	835
Mr. Lo Kin Nang	–	1,279	600	12	1,891
Mr. Ng Kwok Fai	–	1,351	600	12	1,963
	–	7,917	1,200	265	9,382

Year ended 31 December 2012

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus (Note 2) HK\$'000	Retirement benefit scheme contributions HK\$'000	
Mr. Liang	–	3,154	–	96	3,250
Mr. Fu (Note 1)	–	2,085	–	84	2,169
Mr. Wang	–	384	–	50	434
Mr. He Xiao	–	1,197	1,000	14	2,211
Mr. Lo Kin Nang	–	1,429	1,000	14	2,443
Mr. Ng Kwok Fai	–	1,471	1,000	14	2,485
	–	9,720	3,000	272	12,992

Six months ended 30 June 2012 (unaudited)

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus (Note 2) HK\$'000	Retirement benefit scheme contributions HK\$'000	
Mr. Liang	–	1,546	–	48	1,594
Mr. Fu (Note 1)	–	939	–	42	981
Mr. Wang	–	180	–	12	192
Mr. He Xiao	–	525	500	6	1,031
Mr. Lo Kin Nang	–	685	500	6	1,191
Mr. Ng Kwok Fai	–	712	500	6	1,218
	–	4,587	1,500	120	6,207

Six months ended 30 June 2013

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus (Note 2) HK\$'000	Retirement benefit scheme contributions HK\$'000	
Mr. Liang	–	1,752	–	48	1,800
Mr. Fu (Note 1)	–	1,292	–	42	1,334
Mr. Wang (Note 3)	–	5,386	–	12	5,398
Mr. He Xiao	–	759	500	8	1,267
Mr. Lo Kin Nang	–	856	500	8	1,364
Mr. Ng Kwok Fai	–	874	500	8	1,382
	–	10,919	1,500	126	12,545

Notes:

- (1) Mr. Fu is the Chief Executive Officer of the Company.
- (2) The performance related incentive payment is defined by reference to the performance of the Group for the two years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013.
- (3) Included in the other benefits is an amount of HK\$5,210,000, representing equity-settled share-based payment transaction. Details of the transaction have been set out in Note 4 to combined statements of changes in equity.

Three independent non-executive directors, Mr. Lo Wai Hung, Mr. Wang Julius and Mr. Yu Chi Mang (alias, Yue Chi Hang) were appointed by the Company on 5 December 2013.

No remuneration was paid to the independent non-executive directors during the Relevant Periods.

No director of the Company has waived any remuneration during the Relevant Periods.

(b) Employees' emoluments

The five highest paid individuals included four, five, five (unaudited) and five directors of the Company for the two years ended 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively, details of whose emoluments are included above. The emolument of the remaining one, nil nil (unaudited) and nil individual for the two years ended 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively, is as follows:

	Year ended 31 December		Six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
			(Unaudited)	
Salaries and other benefits	1,019	-	-	-
Bonuses (<i>Note</i>)	213	-	-	-
Retirement benefit scheme contributions	12	-	-	-
	<u>1,244</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: The performance related incentive payment is determined by reference to the performance of the Group for the year ended 31 December 2011.

During the Relevant Periods, no remuneration was paid by the Group to directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSE

	Year ended 31 December		Six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
			(Unaudited)	
The income tax expense comprises:				
Current tax:				
Hong Kong Profits Tax	352	1,532	127	1,632
PRC Enterprise Income Tax ("EIT")	6,208	5,775	3,969	6,179
Macau Complementary Tax	-	38	14	-
	<u>6,560</u>	<u>7,345</u>	<u>4,110</u>	<u>7,811</u>
Deferred tax:				
Current year/period (<i>Note 20</i>)	<u>(1,192)</u>	<u>322</u>	<u>(527)</u>	<u>(1,903)</u>
	<u>5,368</u>	<u>7,667</u>	<u>3,583</u>	<u>5,908</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

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 chargeable 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 2013.

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

Details of deferred taxation are set out in note 20.

The income tax expense for the year/period can be reconciled to the profit before taxation per the combined statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December		Six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
			(Unaudited)	
Profit before taxation	<u>18,320</u>	<u>34,895</u>	<u>13,668</u>	<u>13,736</u>
Tax at the 16.5%	3,023	5,758	2,255	2,267
Tax effect of expenses not deductible for tax purpose	431	72	4	2,074
Tax effect of concessionary tax rate of LWK Shenzhen and LWK Yiheng	(128)	–	–	–
Tax effect of income not taxable for tax purpose	(34)	–	–	–
Effect of different tax rates of subsidiaries operating in the PRC and Macau	1,218	1,161	795	941
Effect of different tax rates of profits generated in the PRC	802	644	551	609
Others	<u>56</u>	<u>32</u>	<u>(22)</u>	<u>17</u>
Income tax expense	<u>5,368</u>	<u>7,667</u>	<u>3,583</u>	<u>5,908</u>

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful with regard to the Group Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in Note 2.

14. DIVIDENDS

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

During the year ended 31 December 2012, interim dividend of HK\$4,893,000 (HK\$4.893 per share) was 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvement HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 January 2011	2,495	1,817	13,713	1,921	19,946
Additions	–	4,313	3,514	–	7,827
Acquisition of a subsidiary (Note 33)	1,364	–	798	–	2,162
Disposals/write-off	(1,417)	(1,105)	(1,015)	–	(3,537)
Exchange realignment	169	33	300	28	530
At 31 December 2011	2,611	5,058	17,310	1,949	26,928
Additions	–	–	5,698	–	5,698
Disposals/write-off	–	–	(262)	–	(262)
Exchange realignment	21	6	71	5	103
At 31 December 2012	2,632	5,064	22,817	1,954	32,467
Additions	–	–	2,493	–	2,493
Disposals/write-off	(2,674)	(757)	–	–	(3,431)
Exchange realignment	42	6	160	10	218
At 30 June 2013	–	4,313	25,470	1,964	31,747
ACCUMULATED DEPRECIATION					
At 1 January 2011	440	934	9,357	921	11,652
Charge for the year	278	713	2,088	375	3,454
Eliminated on disposals/write-off	(166)	(493)	(908)	–	(1,567)
Exchange realignment	26	32	207	18	283
At 31 December 2011	578	1,186	10,744	1,314	13,822
Charge for the year	117	863	2,269	356	3,605
Eliminated on disposals/write-off	–	–	(191)	–	(191)
Exchange realignment	6	6	45	5	62
At 31 December 2012	701	2,055	12,867	1,675	17,298
Charge for the period	–	431	1,451	150	2,032
Eliminated on disposals/write-off	(712)	(757)	–	–	(1,469)
Exchange realignment	11	6	86	9	112
At 30 June 2013	–	1,735	14,404	1,834	17,973
CARRYING AMOUNT					
At 31 December 2011	2,033	3,872	6,566	635	13,106
At 31 December 2012	1,931	3,009	9,950	279	15,169
At 30 June 2013	–	2,578	11,066	130	13,774

The above items of property, plant and equipment, after taking into account of their estimated residual value, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease, or 20 years
Leasehold improvement	20%
Furniture, fixture and office equipment	20%
Motor vehicles	20%

The leasehold land and buildings are located on land held under medium term leases and are situated in the PRC.

The following carrying values are property, plant and equipment held under finance leases:

	At 31 December		At 30 June
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Office equipment	–	1,211	1,068
Motor vehicles	466	200	67
	<u>466</u>	<u>1,411</u>	<u>1,135</u>

16. GOODWILL

	HK\$'000
COST	
At 1 January 2011	–
Acquired on acquisition of a subsidiary (Note 33)	4,535
Exchange realignment	<u>186</u>
At 31 December 2011	4,721
Exchange realignment	<u>37</u>
At 31 December 2012	4,758
Exchange realignment	<u>76</u>
At 30 June 2013	<u><u>4,834</u></u>

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 architectural service in the PRC.

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

The 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 the 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. The 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.

17. INTANGIBLE ASSETS

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

During the Relevant Periods, the license was amortised to reflect the economic benefits derived from it over its remaining license period up to March 2015. In September 2013, the relevant authority approved the license period for a term of five years expiring in September 2018 and the amortization of the license is adjusted prospectively. Club membership with an indefinite useful life is stated at cost less accumulated impairment losses.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

All the Group's available-for-sale financial assets are 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, the 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 Services Limited. The carrying amount which is same as the fair value of the available-for-sale financial assets is HK\$1,817,000 as at the date of disposal and, accordingly, a gain on disposal of available-for-sale financial assets of HK\$288,000 has been recognised in profit or loss for the year ended 31 December 2012 (Note 8).

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December		At 30 June
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Prepayments	807	823	2,242
Rental and utility deposits	3,263	3,251	3,378
Advances to staffs	425	758	549
Other receivables	204	412	749
	4,699	5,244	6,918
Analysed for reporting purpose as:			
Non-current assets	3,263	3,251	3,378
Current assets	1,436	1,993	3,540
	4,699	5,244	6,918

20. DEFERRED TAXATION

The following are the major components of deferred tax (liabilities) assets recognised and movements therein during the Relevant Periods:

	Accelerated tax depreciation <i>HK\$'000</i>	Amounts due from/to customers for contract work <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Intangible assets acquired in business combination <i>HK\$'000</i>	Fair value adjustments on contracts of comprehensive architectural service <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2011	(221)	1,028	-	-	-	807
Acquisition of a subsidiary	-	-	-	(1,132)	(3,432)	(4,564)
(Charge) credit to profit or loss	(231)	580	-	216	627	1,192
Exchange realignment	-	-	-	(40)	(150)	(190)
At 31 December 2011	(452)	1,608	-	(956)	(2,955)	(2,755)
(Charge) credit to profit or loss	(198)	(953)	-	292	537	(322)
Exchange realignment	-	-	-	(4)	21	17
At 31 December 2012	(650)	655	-	(668)	(2,397)	(3,060)
Credit to profit or loss	198	477	743	147	338	1,903
Exchange realignment	-	-	5	(3)	(15)	(13)
At 30 June 2013	(452)	1,132	748	(524)	(2,074)	(1,170)

For the purpose of presentation in the combined statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December		At 30 June
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	1,156	620	1,428
Deferred tax liabilities	(3,911)	(3,680)	(2,598)
	(2,755)	(3,060)	(1,170)

The Group has unused tax losses of approximately HK\$2,972,000 available for offset against future profits which will expire in 2018.

Under the Law of the PRC on Enterprise Income Tax Implementation Regulation, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries approximately amounting to HK\$3,350,000, HK\$5,996,000 and HK\$14,155,000 at 31 December 2011 and 2012 and 30 June 2013, respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

21. HELD-FOR-TRADING INVESTMENTS

	At 31 December		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
	<u>3,788</u>	<u>554</u>	<u>485</u>

The equity securities listed in Hong Kong were held on trust by Rich World Services Limited. During the year ended 31 December 2012, the 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 Services Limited. The carrying amount which is same as fair value of the held-for-trading investments is HK\$3,192,000 as at the date of disposal.

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

	At 31 December		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	<u>(761,301)</u>	<u>(848,852)</u>	<u>(892,249)</u>
	<u>(28,203)</u>	<u>(24,137)</u>	<u>12,502</u>
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	<u>(67,799)</u>	<u>(101,306)</u>	<u>(94,933)</u>
	<u>(28,203)</u>	<u>(24,137)</u>	<u>12,502</u>

Advances received from customers for contract work amounted to nil, HK\$7,248,000 and HK\$7,861,000 as at 31 December 2011 and 2012 and 30 June 2013, respectively and are included in accruals and other payables.

23. PROGRESS BILLINGS RECEIVABLE FROM CONTRACT CUSTOMERS

	At 31 December		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	<u>(1,381)</u>	<u>(551)</u>	<u>(551)</u>
	<u>31,513</u>	<u>72,756</u>	<u>54,096</u>

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

	At 31 December		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)	–
	<u>1,381</u>	<u>551</u>	<u>551</u>
At end of the year/period	<u>1,381</u>	<u>551</u>	<u>551</u>

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

As at 31 December 2011 and 2012 and 30 June 2013, included in the allowance for doubtful debts were individually impaired receivables of HK\$1,381,000, HK\$551,000 and HK\$551,000, respectively which had been long outstanding. The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers. The credit period granted to individual customer is within 90 days in general and up to 180 days, which the Group considered on a case-by-case basis, depending on the credibility and reputation of the customers and as stipulated in the project contract. The following is an aged analysis of progress billings receivable, presented based on the invoice date at the end of each reporting period, and net of allowance recognised:

	At 31 December		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
	<u>31,513</u>	<u>72,756</u>	<u>54,096</u>

As at 31 December 2011 and 2012 and 30 June 2013, included in the Group's progress billings receivable balances were debtors with aggregate carrying amount of approximately HK\$15,250,000, HK\$28,268,000 and HK\$24,668,000, respectively, which were past due at the end of each reporting period for which the Group has not provided for allowance for doubtful debts.

Aging of progress billings receivables at the end of each reporting period which are past due but not impaired:

	At 31 December		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
	<u>15,250</u>	<u>28,268</u>	<u>24,668</u>

24. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from 0.01% to 0.35% per annum, 0.01% to 0.50% per annum and 0.01% to 0.05% as at 31 December 2011 and 2012 and 30 June 2013, respectively.

Pledged bank deposits are used to secure the bank overdraft facility of the Group and are therefore, classified as current assets.

25. TRADE PAYABLES

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

	At 31 December		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
	<u>2,530</u>	<u>4,764</u>	<u>4,200</u>

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

26. ACCRUALS AND OTHER PAYABLES

	At 31 December		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
	<u>22,284</u>	<u>36,885</u>	<u>25,717</u>

27. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its office equipment and motor vehicles under finance leases. The lease term is 5 years.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 2.90% per annum for the year ended 31 December 2011, 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.

	Minimum lease payments at			Present value of minimum lease payments at		
	31 December		30 June	31 December		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
	<u>321</u>	<u>1,972</u>	<u>1,736</u>	<u>280</u>	<u>1,764</u>	<u>1,538</u>
Less: Future finance charges	(41)	(208)	(198)	–	–	–
Present value of lease obligations	<u>280</u>	<u>1,764</u>	<u>1,538</u>	280	1,764	1,538
Less: Amounts due for settlement within 12 months (shown under current liabilities)				<u>(160)</u>	<u>(449)</u>	<u>(351)</u>
Amounts due for settlement after 12 months				<u>120</u>	<u>1,315</u>	<u>1,187</u>

The rights to the leased assets are reverted to the lessors in the event of default of the lease obligations by the Group.

28. BANK OVERDRAFTS

Bank overdrafts carry interest at 3.5% and 3.5% per annum over Hong Kong Interbank Offered Rate ("HIBOR") as at 31 December 2011 and 30 June 2013, respectively. The bank overdrafts are secured by personal guarantee from Mr. Liang, the controlling shareholder and a director of the Company, and pledged bank deposits (note 24).

The unutilised bank overdraft is approximately HK\$1,173,000, HK\$2,380,000 and HK\$157,000 as at 31 December 2011 and 2012 and 30 June 2013, respectively. The bank may at any time immediately modify, terminate, cancel or suspend the facility or vary the terms applicable to the facility.

29. ISSUED CAPITAL/SHARE CAPITAL

The Group

For the purpose of this report, the issued capital of the Group as at 1 January 2011 and 31 December 2011 represents the share capital of LWK Hong Kong. The issued capital of the Group as at 31 December 2012 represents the combined share capital of LWK Hong Kong and quota capital of LWK Macau attributable to the Group. The issued capital of the Group as at 30 June 2013 represents the combined share capital of LWK Hong Kong and the Company.

The Company

**At 30 June
2013**
HK\$'000

Authorised share capital 38,000,000 shares of HK\$0.01 each		380
		<u> </u>
Issued and paid up share capital 1 ordinary share of HK\$0.01		–
		<u> </u>

30. RESERVE OF THE COMPANY

	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 13 May 2013 (date of incorporation)	–	–
Loss and total comprehensive expense for the period	<u>(7,081)</u>	<u>(7,081)</u>
At 30 June 2013	<u>(7,081)</u>	<u>(7,081)</u>

31. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The objectives of the management of the Group when managing capital are to safeguard the Group's ability as a going concern in order to provide returns for shareholders and to support future development of business through optimisation of debt and equity balances. The Group's strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained profits.

The Group review the capital structure periodically and manages its overall structure through payment of dividends and new share issues.

32. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December		At 30 June
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
The Group			
Fair value through profit or loss			
— Held-for-trading investments	3,788	554	485
Available-for-sale financial assets	1,783	—	—
Loans and receivables (including cash and cash equivalents)	64,191	104,724	75,187
	<u>69,762</u>	<u>105,278</u>	<u>75,672</u>
Financial liabilities			
The Group			
At amortised cost	5,323	14,485	18,377
Obligations under finance leases	280	1,764	1,538
	<u>5,603</u>	<u>16,249</u>	<u>19,915</u>
The Company			
At amortised cost	—	—	7,081

b. Financial risk management objectives and policies

Details of the Group's and the Company's financial instruments are disclosed in the respective notes. The risks associated with the Group's financial instruments include market risk (interest rate risk, currency risk, other price risk) and credit risk and liquidity risk. The Company's exposure to market risk and credit risk is insignificant.

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

Interest rate risk

The 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. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

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

No sensitivity analysis is presented as in the opinion of the management of the Group, a reasonable possible change in interest rate will not have significant impact on the Financial Information during the Relevant Periods.

Currency risk

Certain bank balances and progress billings receivable from contract customers of the Group are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

The carrying amounts of the Group's bank balances and progress billings receivable from contract customers denominated in foreign currency at the end of each reporting period are as follows:

	At 31 December		At 30 June
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
RMB	3,954	33,432	11,681

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. The aggregate intra-group balances are approximately HK\$1,700,000, HK\$3,849,000 and HK\$405,000 as at 31 December 2011 and 2012 and 30 June 2013, respectively.

The 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.

The following table details the Group's sensitivity to a 5% increase and decrease in HK\$ against RMB. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including the above intra-group balances and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where HK\$ weakens 5% against RMB. For a 5% strengthening of HK\$ against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

	For the year ended		Six months
	31 December		ended
	2011	2012	30 June
	HK\$'000	HK\$'000	2013
	HK\$'000	HK\$'000	HK\$'000
Profit for the year/period	236	1,556	471

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

Other price risk

The Group is exposed to equity price risk through its available-for-sale financial assets and held-for-trading investments. The management manages this exposure by monitoring its portfolio of investments. The Group's equity price risk is mainly concentrated on equity investments operating in property development industry sector quoted on the Stock Exchange during the year ended 31 December 2011. During the year ended 31 December 2012 and the six months ended 30 June 2013, the Group exposed to price risk in relation to its investment in unlisted trading fund in the PRC.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period.

If the prices of the respective instruments had been 10% higher/lower:

- post-tax profit for the year ended 31 December 2011 and 2012 and the six months ended 30 June 2013 would increase/decrease by HK\$313,000, HK\$42,000, and HK\$36,000, respectively, as a result of the changes in fair value of held-for-trading investments; and
- investment revaluation reserve would increase/decrease by HK\$178,000, nil and nil as at 31 December 2011 and 2012 and 30 June 2013, respectively, as a result of the changes in fair value of available-for-sale financial assets.

Credit risk

The 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 and 30 June 2013 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, the management of the 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, the Group reviews the recoverable amount of each individual progress billings receivable from contract customers 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 the Group considers that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations of the projects is in the PRC, which accounted for approximately HK\$16,742,000, HK\$53,653,000 and HK\$35,884,000 of the total progress billings receivable as at 31 December 2011 and 2012 and 30 June 2013, respectively.

The Group has a concentration of customers. For the year ended 31 December 2011 and 2012 and the six months ended 30 June 2013, aggregate sales to the top five customers of the Group accounted for approximately 47.8%, 42.7%, and 41.9%, respectively, of the total revenue. Amount due from them as at 31 December 2011 and 2012 and 30 June 2013 amounted to approximately HK\$14,892,000, HK\$33,925,000 and HK\$18,686,000, respectively, representing 47.3%, 46.6% and 34.0% of progress billings receivable as at 31 December 2011 and 2012 and 30 June 2013, respectively. These major customers are mainly Hong Kong developers and PRC developers with good reputation.

The credit risk on liquid funds 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, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Company has net current liabilities of HK\$7,081,000 as at 30 June 2013 which arose from the payment of listing expenses by a subsidiary. The directors of the Company monitor the liquidity position of the Company through financing provided by a subsidiary.

Liquidity risk analysis

The following table analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows of financial liabilities based on the earliest date of which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	On demand and less than 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31December 2011 HK\$'000
31 December 2011					
The Group					
Non-derivative financial liabilities					
Trade payables	-	2,530	-	2,530	2,530
Accruals and other payables	-	1,586	-	1,586	1,586
Bank overdrafts	3.78	1,207	-	1,207	1,207
Obligations under finance leases	2.90	183	138	321	280
		<u>5,506</u>	<u>138</u>	<u>5,664</u>	<u>5,603</u>

	Weighted average interest rate %	On demand and less than 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31December 2012 HK\$'000
31 December 2012					
The Group					
Non-derivative financial liabilities					
Trade payables	-	4,764	-	4,764	4,764
Accruals and other payables	-	9,721	-	9,721	9,721
Obligations under finance leases	4.93	536	1,436	1,972	1,764
		<u>15,021</u>	<u>1,436</u>	<u>16,457</u>	<u>16,249</u>

	Weighted average interest rate %	On demand and less than 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 30 June 2013 HK\$'000
30 June 2013					
The Group					
Non-derivative financial liabilities					
Trade payables	-	4,200	-	4,200	4,200
Accruals and other payables	-	11,654	-	11,954	11,954
Bank overdrafts	4.37	2,223	-	2,223	2,223
Obligations under finance leases	5.04	445	1,311	1,756	1,538
		<u>18,522</u>	<u>1,311</u>	<u>20,133</u>	<u>19,915</u>
The Company					
Non-derivative financial liability					
Amount due to a subsidiary	-	<u>7,081</u>	<u>-</u>	<u>7,081</u>	<u>7,081</u>

c. Fair value

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The available-for-sale financial assets and held-for-trading investments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) used).

Financial assets	Fair value as at			Fair value hierarchy	Valuation technique(s)
	31 December 2011 HK\$'000	31 December 2012 HK\$'000	30 June 2013 HK\$'000		
Available-for-sale financial assets					
— listed investments	375	—	—	Level 1	Quoted bid prices in active market
— unlisted investments	1,408	—	—	Level 2	Based on the fair value of underlying assets and liabilities which are substantially derived from Level 1 inputs
Subtotal	1,783	—	—		
Held-for-trading investments					
— equity securities listed in Hong Kong	3,253	—	—	Level 1	Quoted bid prices in active market
— unlisted trading fund in the PRC	535	554	485	Level 2	Based on the fair value of underlying assets and liabilities which are substantially derived from Level 1 inputs
Subtotal	3,788	554	485		

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers that carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values which have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

33. ACQUISITION OF A SUBSIDIARY

On 2 April 2011, the Group completed the acquisition of 75% equity interest in LWK Yiheng from an independent party for cash consideration of HK\$4,348,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK\$4,535,000. LWK Yiheng is engaged in the provision of comprehensive architectural service.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value <i>HK\$'000</i>
Property, plant and equipment	2,162
Intangible asset	4,528
Progress billings receivable from contract customers	4,929
Other receivables	1,163
Amounts due from customers for contract work	7,379
Bank balances and cash	4,379
Trade payables	(2,938)
Amounts due to customers for contract work	(12,731)
Income tax payable	(15)
Accruals and other payables	(4,542)
Deferred tax liabilities	(4,564)
	<hr/>
Net liabilities assumed	(250)
	<hr/> <hr/>

The fair value of progress billings receivable from contract customers and other receivables at the date of acquisition amounted to HK\$6,092,000 with gross contractual amounts of HK\$7,154,000. The best estimate at acquisition date of contractual cash flow not expected to be collected are HK\$1,062,000.

Goodwill arising on acquisition:

	<i>HK\$'000</i>
Consideration transferred	4,348
Less: share of net liabilities by non-controlling interests (25% equity interest in LWK Yiheng)	(63)
Plus: fair value of identifiable net liabilities assumed	250
	<hr/>
Goodwill arising on acquisition	4,535
	<hr/> <hr/>

Goodwill arose in the acquisition of LWK Yiheng because the consideration paid for the combination included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of LWK Yiheng. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

Non-controlling interest is measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net asset.

Net cash inflow on acquisition of LWK Yiheng:

	<i>HK\$'000</i>
Cash consideration paid	(4,348)
Less: cash and cash equivalent balances acquired	<u>4,379</u>
	<u><u>31</u></u>

Included in the profit for the year ended 31 December 2011 is profit of HK\$4,402,000 attributable to the additional business generated by LWK Yiheng. Revenue for the year ended 31 December 2011 includes HK\$55,153,000 generated from LWK Yiheng.

Had the acquisition been completed on 1 January 2011, total group revenue for the year would have been HK\$202,475,000, and profit for the year would have been HK\$12,336,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had LWK Yiheng been acquired at 1 January 2011, the management of the Group have considered the effect of fair value adjustments on LWK Yiheng's contract-in-progress and the amortisation of intangible assets (net of tax) acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial information.

34. SUBSIDIARIES

- (i) Details of LWK Yiheng, a non-wholly owned subsidiary with material non-controlling interest, and other individually immaterial subsidiaries with non-controlling interests are set out below.

	Year ended 31 December		Six months ended 30 June
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit allocated to non-controlling interest of LWK Yiheng	<u>1,101</u>	<u>1,203</u>	<u>2,788</u>
	As 31 December 2011	2012	As 30 June 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accumulated non-controlling interests LWK Yiheng	1,044	2,275	5,071
Individually immaterial subsidiaries	<u>(258)</u>	<u>95</u>	<u>–</u>
	<u>786</u>	<u>2,370</u>	<u>5,071</u>

Summarised financial information in respect of LWK Yiheng, is set out below. The summarised financial information below represents the amounts including goodwill and other fair value adjustments resulting from acquisition accounting but before intra-group eliminations.

	At 31 December		At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Current assets	<u>30,004</u>	<u>47,892</u>	<u>53,497</u>
Non-current assets	<u>10,984</u>	<u>11,080</u>	<u>11,960</u>
Current liabilities	<u>(28,179)</u>	<u>(42,047)</u>	<u>(37,752)</u>
Non-current liabilities	<u>(3,911)</u>	<u>(3,065)</u>	<u>(2,578)</u>
Total equity	<u>8,898</u>	<u>13,860</u>	<u>25,127</u>
	Period from 2 April 2011 to 31 December 2011 HK\$'000	Year ended 31 December 2012 HK\$'000	Six months ended 30 June 2013 HK\$'000
Revenue	<u>55,153</u>	<u>76,616</u>	<u>39,597</u>
Expenses	<u>(50,751)</u>	<u>(71,806)</u>	<u>(28,446)</u>
Profit for the period/year	<u>4,402</u>	<u>4,810</u>	<u>11,151</u>
Total comprehensive income for the period/year	<u>5,022</u>	<u>4,947</u>	<u>11,267</u>
Dividends paid to non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
Net cash inflow (outflow) from operating activities	<u>8,532</u>	<u>(871)</u>	<u>(2,160)</u>
Net cash outflow from investing activities	<u>(682)</u>	<u>(409)</u>	<u>(1,810)</u>
Net cash inflow (outflow)	<u>7,850</u>	<u>(1,280)</u>	<u>(3,970)</u>

(ii) Investment in a subsidiary

		At 30 June 2013
Unlisted share, at cost	US\$	1
	HK\$	7.8
Shown in Financial Information as	HK\$'000	-

One fully paid ordinary share, representing the entire issued share capital of Helffrich Ventures, was allotted and issued to the Company on 13 May 2013 at par.

35. PRE-ACQUISITION FINANCIAL INFORMATION OF LWK YIHENG

The financial information on LWK Yiheng during the period from 1 January 2011 to 1 April 2011 (the "Pre-acquisition Period") is disclosed as below.

(i) Statement of profit or loss and other comprehensive income

	Notes	HK\$'000
Revenue	(a)	3,997
Cost of services		(2,354)
Gross profit		1,643
Other income	(b)	4
Administrative expenses		(2,031)
Loss before taxation	(c)	(384)
Income tax expense	(d)	-
Loss for the period		(384)
Other comprehensive expense for the period		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation		(102)
Total comprehensive expense for the period		(486)

(ii) Statement of financial position at 1 April 2011

	<i>Notes</i>	<i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	<i>(e)</i>	<u>2,162</u>
Current assets		
Amounts due from customers for contract work	<i>(f)</i>	1,362
Progress billings receivables from contract customers	<i>(g)</i>	4,929
Other receivables		1,163
Bank balances and cash	<i>(h)</i>	<u>4,379</u>
		<u>11,833</u>
Current liabilities		
Trade payables	<i>(i)</i>	2,938
Accruals and other payables	<i>(j)</i>	4,542
Amounts due to customers for contract work	<i>(f)</i>	20,443
Income tax payable		<u>15</u>
		<u>27,938</u>
Net current liabilities		<u>(16,105)</u>
Total assets less current liabilities		<u>(13,943)</u>
Net liabilities		<u>(13,943)</u>
Capital and reserves		
Paid-in capital		3,407
Reserves		<u>(17,350)</u>
Deficit in equity		<u>(13,943)</u>

(iii) Statement of changes in equity

	Issued capital <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2011	<u>3,407</u>	<u>979</u>	<u>(503)</u>	<u>(17,340)</u>	<u>(13,457)</u>
Loss for the period	-	-	-	(384)	(384)
Exchange differences arising on translation	<u>-</u>	<u>-</u>	<u>(102)</u>	<u>-</u>	<u>(102)</u>
Total comprehensive expense for the period	<u>-</u>	<u>-</u>	<u>(102)</u>	<u>(384)</u>	<u>(486)</u>
At 1 April 2011	<u>3,407</u>	<u>979</u>	<u>(605)</u>	<u>(17,724)</u>	<u>(13,943)</u>

(iv) Statement of cash flows

	<i>HK\$'000</i>
Operating activities	
Loss before taxation	(384)
Adjustments for:	
Depreciation of property, plant and equipment	88
Allowance for doubtful debts	1,062
Interest income	(4)
	<hr/>
Operating cash flows before movements in working capital	762
Decrease in amounts due from customers for contract work	718
Decrease in progress billings receivable from contract customers	2,505
Increase in other receivables	(699)
Decrease in amounts due to customers for contract work	(727)
Decrease in trade payables	(1,188)
Decrease in accruals and other payables	(1,317)
	<hr/>
Cash generated from operations	54
Income tax paid	(135)
	<hr/>
Net cash used in operating activities	(81)
	<hr/>
Investing activities	
Purchases of property, plant and equipment	(53)
Interest received	4
	<hr/>
Net cash used in investing activities	(49)
	<hr/>
Net decrease in cash and cash equivalents	(130)
Cash and cash equivalents at the beginning of the period	4,476
Effect of foreign exchange rate changes	33
	<hr/>
Cash and cash equivalents at the end of the period	4,379
	<hr/> <hr/>
Represented by:	
Bank balances and cash	4,379
	<hr/> <hr/>

(v) Explanatory notes:

(a) Revenue

Revenue represents the contract revenue for comprehensive architectural service recognised during the Pre-acquisition Period.

(b) Other income

	<i>HK\$'000</i>
Interest income	4
	<hr/> <hr/>

(c) *Loss before taxation*

	<i>HK\$'000</i>
Loss before taxation has been arrived at after charging:	
Depreciation of property, plant and equipment	88
Allowance for doubtful debts	1,062
Staff costs	
— Salaries allowances and other benefits	2,403
— Contributions to retirements benefits	36
	<hr/>
Total staff costs	2,439
	<hr/> <hr/>

(d) *Income tax expense*

	<i>HK\$'000</i>
The income tax expense comprises:	
Current tax:	
PRC Enterprise Income Tax	—
	<hr/> <hr/>

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 Yiheng is 24% during the Pre-acquisition Period.

(e) *Property, plant and equipment*

	Leasehold land and buildings	Furniture, fixtures and office equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST			
At 1 January 2011	2,705	949	3,654
Additions	—	53	53
Exchange realignment	21	7	28
	<hr/>	<hr/>	<hr/>
At 1 April 2011	2,726	1,009	3,735
	<hr/>	<hr/>	<hr/>
ACCUMULATED DEPRECIATION			
At 1 January 2011	1,351	124	1,475
Charge for the period	41	47	88
Exchange realignment	8	2	10
	<hr/>	<hr/>	<hr/>
At 1 April 2011	1,400	173	1,573
	<hr/>	<hr/>	<hr/>
CARRYING VALUES			
At 1 April 2011	1,326	836	2,162
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The above items of property, plant and equipment, after taking into account of their estimated residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease, or 20 years
Furniture, fixture and office equipment	20%

The buildings are located on land held under medium term leases and are situated in the PRC.

(f) *Amounts due from (to) customers for contract work*

	<i>HK\$'000</i>
Costs incurred to date plus recognised profits less recognised losses	10,647
Less: progress billings	<u>(29,728)</u>
	<u>(19,081)</u>
Analysed for reporting purposes as:	
Amounts due from customers for contract work	1,362
Amounts due to customers for contract work	<u>(20,443)</u>
	<u>(19,081)</u>

(g) *Progress billings receivable from contract customers*

	<i>HK\$'000</i>
Gross amount	5,991
Less: Allowance for doubtful debts	<u>(1,062)</u>
	<u>4,929</u>

LWK Yiheng does not have a standardised and universal credit period granted to its customers and it does not offer credit period to certain of its customers and the corresponding invoice are due upon issuance. The following is an aged analysis of progress billings receivables, presented based on the invoice date at the end of each reporting period, and net of allowance recognised:

	<i>HK\$'000</i>
Within 30 days	1,065
Over 30 days and within 90 days	2,214
Over 90 days	<u>1,650</u>
	<u>4,929</u>

(h) *Bank balances and cash*

Bank balances carry interest at market rate at 0.40% per annum as at 1 April 2011.

(i) Trade payables

The following is an aged analysis of trade payables presented based on the invoice date at 1 April 2011:

	<i>HK\$'000</i>
Within 30 days	1,677
Over 90 days	1,261
	<u>2,938</u>

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

(j) Accruals and other payables

	<i>HK\$'000</i>
Accrued payroll and bonuses	2,384
Deposits from customers	455
PRC other tax payables	263
Others	1,440
	<u>4,542</u>

36. OPERATING LEASE COMMITMENTS**The Group as lessee**

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

	At 31 December		At 30 June
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	11,554	11,694	12,635
In the second to fifth years inclusive	<u>7,082</u>	<u>6,276</u>	<u>3,816</u>
Total	<u>18,636</u>	<u>17,970</u>	<u>16,451</u>

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

37. CAPITAL COMMITMENT

As set out in Note 2 to section I of the Financial Information, on 21 June 2013, LWK Hong Kong entered into equity transfer agreement with Mr. Wang to acquire 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). At 30 June 2013, the Group has capital commitment for the acquisition. The Group and the Company has no other commitment at the end of each reporting period.

38. PLEDGE OF ASSETS

The Company has pledged short-term bank deposits with an aggregate carrying amount of HK\$1,744,000, HK\$1,744,000 and HK\$1,744,000 at 31 December 2011 and 2012 and 30 June 2013, respectively to banks to secure bank overdrafts granted to the Group.

39. RETIREMENT BENEFITS SCHEMES

For the operations in Hong Kong, the Group participates in a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group and the employees shall make contributions based on a percentage of the employee's basic salary with a cap of HK\$1,250 per month from 1 June 2012 (prior to 1 June 2012: HK\$1,000) and charged to profit or loss as they become payable in accordance with the rules of Mandatory Provident Fund Scheme.

For the operations in the PRC, the employees of the Group are members of state-managed retirement benefits scheme operated by the PRC government. The relevant subsidiaries are required to contribute a specific percentage of the payroll costs to the retirement benefits scheme.

The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the Relevant Periods, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represents contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes.

The retirement benefits scheme contributions made by the Group approximately amounted to HK\$3,403,000, HK\$4,171,000, HK\$1,893,000 (unaudited) and HK\$2,458,000 for the year ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively.

40. RELATED PARTY TRANSACTIONS**(i) THE GROUP**

- (1) During the two years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013, Mr. Liang, the controlling shareholder and a director of the Company, provided personal guarantee to secure the bank overdrafts of the Group. Details are set out in note 28.
- (2) During the year ended 31 December 2012, the Group terminated a trust arrangement with Rich World Services Limited and disposed of all the 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 Services Limited, with carrying amounts, which are same as their fair values, of HK\$1,817,000 and HK\$3,192,000, respectively, as at the date of disposal. Details are set out in notes 18 and 21. Rich World Services Limited is controlled by Mr. Liang, the controlling shareholder of the Company.
- (3) On 31 December 2012, 40% 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. Details are set out in note 2 of the combined statements of changes in equity.
- (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\$816,000, HK\$816,000, HK\$408,000 (unaudited) 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). Details are set out in note 3 of the combined statements of changes in equity.

- (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.
- (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 RMB2,830,000 (equivalent to approximately HK\$3,566,000). The acquisition has been completed on 28 August 2013.

(ii) **THE COMPANY**

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

Compensation of key management personnel

The remuneration of directors who are the key management was as follows:

	Year ended 31 December		Six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
Salaries and other benefits	7,917	9,720	4,587	10,919
Bonuses (<i>Note</i>)	1,200	3,000	1,500	1,500
Retirement benefit scheme contributions	265	272	120	126
	<u>9,382</u>	<u>12,992</u>	<u>6,207</u>	<u>12,545</u>

Note: The performance related incentive payment is determined by reference to the performance of the Group for the year ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013.

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2012, the Group entered into finance lease arrangements in respect of motor vehicles and office equipment with a total capital value at the inception of the leases of approximately HK\$1,705,000.

(II) DIRECTORS' EMOLUMENTS

Save as disclosed therein, no other emolument has been paid or is payable by the Group to the Company's directors during the Relevant Periods.

Under the arrangement currently in force, the aggregate amount of emoluments of the directors of the Company payable for the year ending 31 December 2013 is estimated to be approximately HK\$23,016,000.

(III) EVENTS AFTER THE END OF REPORTING PERIOD

- As set out in Note 2 to section I of the Financial Information, on 21 June 2013, LWK Hong Kong entered into equity transfer agreement with Mr. Wang to acquire 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). Subsequent to 30 June 2013, the acquisition has been completed on 28 August 2013.
- Pursuant to the written resolutions passed by the shareholders on 5 December 2013, the authorised share capital of the Company was increased from HK\$380,000.00 divided into 38,000,000 ordinary shares to HK\$10,000,000.00 divided into 1,000,000,000 ordinary shares by the creation of additional 962,000,000 new ordinary shares which shall, when issued and paid, rank *pari passu* in all respects with the existing issued ordinary shares (other than participation in the capitalisation issue).
- Pursuant to the share swap agreement dated 5 December 2013 entered into amongst Mr. Liang, Mr. Fu, Mr. Wang and Rich World Services Limited (owned by Mr. Liang and Mr. Fu) (the "Transferors"), the Company and Helffrich Ventures, the Transferors agreed to transfer the entire issued share capital in LWK Hong Kong to the Company (to be held through Helffrich Ventures) in consideration of and in exchange for 21,355,999 ordinary shares to Rainbow Path International Limited, 10,313,200 ordinary shares to Vivid Colour Limited, 4,305,400 ordinary shares to Jun Ming Investments Limited, and 2,025,400 ordinary shares to Veteran Ventures Limited credited as fully paid, respectively. Rainbow Path International Limited, Vivid Colour Limited, Jun Ming Investments Limited and Veteran Ventures Limited are investment holding companies set by Mr. Liang, Mr. Fu and Mr. Wang to hold the equity interests in the Company on their behalf.

Immediately after the completion of the share transfer, the Company became the holding company of the Group and Helffrich Ventures became the intermediate holding company of LWK Hong Kong and its subsidiaries.

- A Share Option Scheme and a Pre-IPO Share Option Scheme, which are detailed in the paragraph headed "D. Share Option Scheme" and "E. Pre-IPO Option Scheme" in Appendix IV to the Prospectus, was conditionally approved by the shareholders of the Company on 5 December 2013. Under the Pre-IPO Option Scheme, options to subscribe for an aggregate of 12,525,000 ordinary shares, which are detailed in the paragraph headed "Pre-IPO Option Scheme" in Appendix IV to the Prospectus, had been conditionally granted by the Company on that day.

(IV) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2013.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the Accountant's Report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountant, as set out in Appendix I to this prospectus.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with Rules 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Placing on the combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2013, as if the Placing had taken place on 30 June 2013.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 or at any future dates following the Placing. It is prepared based on the audited combined net assets of the Group attributable to owners of the Company as at 30 June 2013 as shown in the accountant's report of the Group as set out in Appendix I to this prospectus and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 HK\$'000 (Note 1)	Estimated net proceeds from the Placing HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share HK\$ (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.

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION



INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF C CHENG HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of C Cheng Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2013 and related notes as set out on pages 1 to 2 of Appendix II to the prospectus issued by the Company dated 16 December 2013 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages 1 to 2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Proposed Placing (as defined in the Prospectus) on the Group's financial position as at 30 June 2013 as if the Placing had taken place at 30 June 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the two years ended 31 December 2012 and six months 30 June 2013, on which an accountant's report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 December 2013

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 May 2013 under the Companies Law. The Memorandum and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares, respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 5 December 2013, with effect from Listing. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with our Company or any of its subsidiaries.

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his

office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to our directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which our Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where our Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which our Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of our Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their

dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

Our Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto, respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as our directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution — majority required

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from our Company's annual accounts and our directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and our directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than, such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of our directors and the auditors;
- (cc) the election of directors in place of those retiring;

- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of our directors and of the auditors;
- (ff) the granting of any mandate or authority to our directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to our directors to repurchase securities of our Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists,

and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as our Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them, respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of our directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this appendix.

(s) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them, respectively, and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them, respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by our company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of our company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of our company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, our company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if our directors of our company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of our company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of our company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of our company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of our company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of our company, our directors of our company resolve to hold such shares in the name of our company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, our company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, our company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of our company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of our company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of our company's assets (including any distribution of assets to members on a winding up) may be made to our company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and our directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of our company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of our company to challenge (a) an act which is ultra vires our company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of our company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of our company in issue, appoint an inspector to examine into the affairs of our company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that our company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our company's affairs in the future, (b) an order requiring our company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of our company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of our company by other shareholders or by our

company itself and, in the case of a purchase by our company itself, a reduction of our company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of our company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by our company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by our company; and (iii) the assets and liabilities of our company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 19 June 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as our directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. Our company shall cause to be kept at the place where our company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of our company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that our company is to be dissolved, or, our company does not commence business for a year from its incorporation (or suspends its business for a year), or, our company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of our company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, our company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of our company and distributing its assets. A declaration of solvency must be signed by all our directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for our company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of our company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge our company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of our company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of our company has been disposed of, and thereupon call a general meeting of our company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by our company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 May 2013. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 28 June 2013 and the principal place of business in Hong Kong is 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. Mr. Fu and Ms. Yu Wing Sze have been appointed as the authorised representatives of our Company for acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Cayman Companies Law and certain provisions of the Articles of Association is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000.00 divided into 38,000,000 Shares of HK\$0.01 each.
- (b) On 5 December 2013, the authorised share capital of our Company was increased from HK\$380,000.00 divided into 38,000,000 Shares to HK\$10,000,000.00 divided into 1,000,000,000 Shares by the creation of an additional 962,000,000 Shares.
- (c) Immediately following completion of the Placing and Capitalisation Issue but not taking into account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or the options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, of which 180,000,000 Shares will be issued fully paid or credited as fully paid and 820,000,000 Shares will remain unissued.

Save as disclosed herein, there has been no alteration in the authorised and issued share capital of our Company since its incorporation.

3. Written resolutions

Pursuant to the written resolutions passed by our Shareholders on 5 December 2013:

- (a) our Company approved and adopted the Memorandum of Association and conditionally approved the Articles of Association with effect from the Listing;
- (b) the authorised share capital of our Company was increased from HK\$380,000.00 divided into 38,000,000 Shares to HK\$10,000,000.00 divided into 1,000,000,000 Shares by the creation of additional 962,000,000 new Shares which shall, when issued and paid, rank *pari passu* in all respects with the existing issued Shares (other than participation in the Capitalisation Issue);
- (c) conditional upon the conditions stated in the paragraph headed “Structure and Conditions of the Placing — Conditions of the Placing” in this prospectus being fulfilled or waived (as the case may be):
 - (i) the Placing and the Offer Size Adjustment Option were approved and our Directors were authorised to allot and issue the Placing Shares pursuant to the Placing and such number of Shares as may be required to be allotted and issued upon exercise of the Offer Size Adjustment Option;
 - (ii) subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Placing Shares under the Placing, up to HK\$970,000.00 standing to the credit of the share premium account of our Company shall be capitalised and applied to pay up in full at par 97,000,000 Shares for allotment and issue to the Shareholders of our Company as at the close of business on the date of passing that resolution (or such other date as our Directors may direct);
 - (iii) the rules of the Pre-IPO Share Option Scheme (subject to such amendments as may be approved by our Directors or any committee thereof) were approved and adopted and our Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and to do such acts and things as it may consider necessary or expedient to give effect to the transactions contemplated under the Pre-IPO Share Option Scheme;

- (iv) the rules of the Share Option Scheme (subject to such amendments as may be approved by our Directors or any committee thereof) were approved and adopted and our Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to do such acts and things as it may consider necessary or expedient to give effect to the transactions contemplated under the Share Option Scheme;
- (v) a general unconditional mandate was given to our Directors to allot, issue and deal with, whether pursuant to an option or otherwise, additional Shares (including the power to make or grant offers, agreements and options which would or might require the exercise of such power), otherwise than pursuant to (1) a rights issue; (2) the exercise of rights of subscription, exchange or conversion under the terms of any warrants or convertible securities issued by our Company or any securities which are exchangeable into Shares; (3) the exercise of the subscription rights under options granted under the Pre-IPO Share Option Scheme or options granted under the Share Option Scheme or any other similar arrangement of our Company from time to time adopted for the grant or issue to officers and/or employees and/or consultants and/or advisers of our Company and/or any of its subsidiaries and/or other persons of Shares or rights to acquire Shares; or (4) any scrip dividend or similar arrangement providing for allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, with an aggregate nominal amount not exceeding the sum of 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Options or any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme, and the aggregate nominal amount of the share capital of our Company which may be repurchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (v) below, until the conclusion of the next annual general meeting of our Company or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any other applicable laws or the date of passing of an ordinary resolution by the Shareholders at general meeting revoking or varying the authority given to our Directors, whichever occurs first;

- (vi) a general unconditional mandate was given to our Directors to exercise all power of our Company to repurchase Shares on GEM or other stock exchange on which Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or of any other stock exchange as amended from time to time, with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Placing and Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any other applicable laws or the date of passing of an ordinary resolution by our Shareholders at general meeting revoking or varying the authority given to our Directors, whichever occurs first; and
- (vii) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (vi) above.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

(a) Incorporation of our Company

On 13 May 2013, our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$380,000.00 divided into 38,000,000 Shares, with one fully paid Share issued to the initial subscriber. On the same day, the subscriber Share was transferred to Rainbow Path.

(b) *Incorporation of Helffrich Ventures as the intermediate holding company*

On 15 January 2013, Helffrich Ventures was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 and one fully paid ordinary share, representing the entire issued share capital of Helffrich Ventures, was allotted and issued to our Company on 13 May 2013 at par.

As a result, Helffrich Ventures became a wholly-owned subsidiary of our Company.

(c) *Acquisition of the entire issued share capital in LWK Hong Kong by Helffrich Ventures*

Pursuant to the Share Swap Agreement dated 5 December 2013 entered into amongst Mr. Liang, Mr. Fu, Mr. Wang and Rich World, as transferors (the “**Transferors**”), our Company as transferee and Helffrich Ventures, the Transferors agreed to transfer the entire issued share capital in LWK Hong Kong to our Company (to be held through our wholly-owned subsidiary Helffrich Ventures) in consideration of and in exchange for 21,355,999 Shares to Rainbow Path, 10,313,200 Shares to Vivid Colour, 4,305,400 Shares to Jun Ming, and 2,025,400 Shares to Veteran Ventures credited as fully paid, respectively.

In consideration of our Company assigning the entire issued share capital of LWK Hong Kong to Helffrich Ventures, Helffrich Ventures shall allot and issue one share of Helffrich Ventures to our Company credited as fully paid.

Immediately after the completion of the share transfer, our Company then became the holding company of our Group and Helffrich Ventures became the intermediate holding company of LWK Hong Kong and its subsidiaries.

(d) *Placing and Capitalisation Issue*

Conditional upon the share premium account of our Company being credited as a result of the Placing, a sum of HK\$970,000.00 standing to the credit of the share premium account of our Company will be capitalised by applying such sum in paying up in full a total of 97,000,000 Shares for the allotment and issue to each of Rainbow Path, Vivid Colour, Jun Ming and Veteran Ventures in proportion to their respective shareholdings in our Company.

5. Changes in share capital or registered capital of the subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as set out above and as mentioned in the paragraphs headed "Our Subsidiaries" of the section headed "History, Reorganisation and Group Structure" in this prospectus and "Corporate Reorganisation" in this appendix, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of the Shares by our Company

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on the GEM to repurchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

All proposed repurchase of Shares must be approved in advance by an ordinary resolution in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 5 December 2013, a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange of up to 10% of the total nominal value of the share capital of our Company in issue immediately after completion of the Placing, such mandate to expire at the earliest of: (a) at any time until the conclusion of the next annual general meeting of our Company; or (b) the expiration of the period within which the next annual general meeting of our Company is required by the articles of association of our Company or any other applicable laws of the Cayman Islands to be held; or (c) the passing of an ordinary resolution of shareholders of our Company in general meeting revoking, varying or renewing such mandate. Details of which have been described above in the paragraph headed "A Further Information about our Company — 3. Written resolutions" in this appendix.

(ii) Sources of Funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Articles of Association and any applicable laws of the Cayman Islands.

(iii) Trading restrictions

A company is authorised to repurchase on the GEM or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the GEM or otherwise (except pursuant to the exercise of warrants, share option or similar instruments requiring that company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the GEM if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the GEM.

(iv) Status of repurchased Shares

The listing of all repurchased Shares is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of our Company's issued share capital shall be reduced by the aggregate nominal value of the repurchased Shares accordingly although the authorised share capital of our Company will not be reduced.

(v) Suspension of repurchase

Any securities repurchase programme is required to be suspended after inside information has come to its knowledge until such time as the inside information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim report, a company may not purchase its shares on the GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of shares on the GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of shares on the GEM or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of shares repurchased each month (whether on the GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. Our directors' report is also required to contain reference to the purchases made during the year and our directors' reasons for making such purchases. Our Company shall make arrangements with its broker who effects the purchase to provide our Company in a timely fashion the necessary information in relation to the purchase made on behalf of our Company to enable our Company to report to the Stock Exchange.

(vii) Connected persons

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined in the GEM Listing Rules) and a connected person shall not knowingly sell his shares to our Company.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 180,000,000 Shares in issue immediately after listing of the Shares, could accordingly result in up to 18,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing position of our Group (as compared with the position disclosed in this prospectus). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) *Funding of repurchases*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands.

A listed company is prohibited from repurchasing its own Shares on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits, out of the share premium account, or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits or from sum standing to the credit of the share premium account of our Company, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum and the Articles of Association and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Code as a consequence of any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

Our Company has not made repurchase of any of the Shares since its incorporation.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:



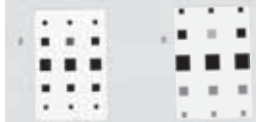





- (a) an equity transfer agreement dated 21 June 2013 entered into between Mr. Wang as the transferor and LWK Hong Kong as the transferee, Mr. Wang agreed to transfer 24% equity interest in LWK Yiheng to LWK Hong Kong for a consideration of RMB2.83 million;
- (b) a joint venture agreement dated 21 June 2013 between Mr. Wang and LWK Hong Kong pursuant to the abovementioned equity transfer agreement;
- (c) the sale and purchase agreement dated 11 June 2013 entered into between Mr. Liang and Mr. Fu as the transferors and LWK Hong Kong and LWK Conservation as the transferees, pursuant to which shares in LWK Macau of nominal value of MOP27,000.00 and MOP3,000.00 were transferred to LWK Hong Kong and LWK Conservation, respectively;
- (d) the Share Swap Agreement;
- (e) the deed of warranty dated 5 December 2013 executed by Mr. Liang and Mr. Fu in favour of our Company in relation to the Reorganisation;
- (f) the Deed of Non-competition;
- (g) the Deed of Indemnity; and
- (h) the Underwriting Agreement.

2. Intellectual property rights

The following intellectual property rights are material in relation to our Group's business:

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademarks:

No.	Trademark	Place of application	Trademark number	Class	Date of Registration	Name of registrant
1.		Hong Kong	2001B07101	42	1 March 2000	LWK Hong Kong
2.		Hong Kong	2002B08171	42	1 March 2000	LWK Hong Kong
3.		Hong Kong	200208172	42	1 March 2000	LWK Hong Kong
4.		PRC	6989934	42	7 October 2010	LWK Shenzhen
5.		PRC	6989935	42	7 October 2010	LWK Shenzhen
6.		PRC	6989936	42	7 October 2010	LWK Shenzhen
7.		Hong Kong	302415861	42, 44	26 October 2012	LWK Hong Kong
8.		Hong Kong	302415870	42	26 October 2012	LWK Hong Kong







Notes:

- The services covered by Class 42 in Hong Kong are: architectural consultancy services; preparation of architectural plans; professional consultancy services relating to the preparation of architectural plans; architectural services; professional consultancy services relating to supervision of building construction; building inspection services; construction draughting; professional consultancy services relating to construction draughting; engineering consultancy; engineering drawing; professional consultancy services relating to engineering drawing; planning design of building and housing estates; professional consultancy services relating to planning of building and housing estates; graphics design consultancy and services; house design services; drawing-up of house plans; interior design; kitchen design services; professional consultancy services relating to land development; landscaping gardening of land; professional consultancy services relating to landscaping; planning and laying out of housing developments;

professional consultancy services relating to planning and laying out of housing developments; planning of building construction; professional consultancy services relating to planning of building construction; signage design consultancy services; professional consultancy services relating to the town planning; professional consultancy services relating to the design and construction of display signs.

2. The services covered by Class 42 in the PRC are: architecture; architectural consultancy; architectural drawing; interior decoration design; development of construction projects; conversion of data to electronic media; town-planning; planning of building construction; provision of search engines; research on environmental protection (建築學；建築學諮詢；建築製圖；室內眾裝飾設計；建設項目的開發；把有形的數據和文件轉換成電子媒體；城市規劃；工程繪圖；提供互聯網搜索引擎；環境保護領域的研究).
3. The services covered by Class 44 in Hong Kong are landscape design services.
4. Our Group has not applied for registration of any trademarks in any other countries, except for Hong Kong and the PRC.

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks:

No. Trademark	Place of application	Application number	Class	Date of receipt of application	Name of applicant
1. 	Hong Kong	302649628	35, 42	25/6/2013	Our Company
2. 	Hong Kong	302649637	35, 42	25/6/2013	Our Company
3. 	Hong Kong	302649646	35, 42	25/6/2013	Our Company
4. 	PRC	13058343	42	27/8/2013	LWK Yiheng
5. 	PRC	13058606	42	27/8/2013	LWK Yiheng
6. 	PRC	13058421	42	27/8/2013	LWK Yiheng

Notes:

1. The services covered by Class 35 in Hong Kong are: advertising, business management, business administration, office functions.

2. The services covered by Class 42 in Hong Kong are: architectural consultancy services; preparation of architectural plans; professional consultancy services relating to the preparation of architectural plans; architectural services; professional consultancy services relating to supervision of building construction; building inspection services; construction draughting; professional consultancy services relating to construction draughting; engineering consultancy; engineering drawing; professional consultancy services relating to engineering drawing; planning design of building and housing estates; professional consultancy services relating to planning of building and housing estates; graphics design consultancy and services; house design services; drawing-up of house plans; interior design; kitchen design services; professional consultancy services relating to land development; landscaping gardening of land; professional consultancy services relating to landscaping; planning and laying out of housing developments; professional consultancy services relating to planning and laying out of housing developments; planning of building construction; professional consultancy services relating to planning of building construction; signage design consultancy services; professional consultancy services relating to the town planning; professional consultancy services relating to the design and construction of display signs.
3. The services covered by Class 42 in the PRC are: architecture; architectural consultancy; architectural drawing; interior decoration design; development of construction projects; conversion of data to electronic media; town-planning; planning of building construction; provision of search engines; research on environmental protection (建築學；建築學諮詢；建築製圖；室內眾裝飾設計；建設項目的開發；把有形的數據和文件轉換成電子媒體；城市規劃；工程繪圖；提供互聯網搜索引擎；環境保護領域的研究).

(b) *Domain names*

As at the Latest Practicable Date, our Group has registered the following domain names:

Registrant	Domain Name	Registration	
		Date	Expiry Date
Our Company	www.cchengholdings.com	25/7/2013	25/7/2018
LWK Hong Kong	www.lwkp.com	16/3/1999	16/3/2020
LWK Shenzhen	www.lwkp.com.cn	22/9/2005	22/9/2015
LWK Shenzhen	www.lwkyh.com.cn	31/12/2009	31/12/2014
LWK Hong Kong	www.lwklandscape.com	12/4/2011	12/4/2014

Information contained in the above websites does not form part of this prospectus.

Save as disclosed above, there are no other trademarks or other intellectual property rights which are or may be material in relation to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Directors

Disclosure of interests

So far as our Directors are aware, immediately following completion of the Placing and the Capitalisation Issue without taking into account any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or the options which may be granted under the Share Option Scheme or pursuant to the exercise of the Offer Size Adjustment Option, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

Long position in the Shares

Name of Director	Company/subsidiary	Nature of interest	Number of Shares held	Approximate percentage of shareholding after the Placing
Mr. Liang	Our Company	Interest of a controlled corporation (Note 1) (Note 2)	83,068,000	46.15%
Mr. Fu	Our Company	Interest of a controlled corporation (Note 3)	36,632,000	20.35%
Mr. Wang	Our Company	Interest of a controlled corporation (Note 4)	15,300,000	8.50%
	LWK Yiheng	Equity interest (Note 5)	-	1.00%

Notes:

- 75,868,000 Shares are registered in the name of Rainbow Path, the entire issued share capital of which is legally and beneficially owned by Mr. Liang. Under the SFO, Mr. Liang is deemed to be interested in all the Shares held by Rainbow Path.

2. Mr. Liang is the beneficial owner of all the issued share of Veteran Ventures which holds 7,200,000 Shares. Veteran Ventures was incorporated as a holding company for the interests of Mr. Liang in our Group with his intent to distribute such interests to his designated management members in the future. As of the Latest Practicable Date, the allocation of interests of our Group help by Veteran Ventures was yet to be determined. Under the SFO, Mr. Liang is deemed to be interested in all the Shares held by Veteran Ventures.
3. These Shares are registered in the name of Vivid Colour, the entire issued share capital of which is legally and beneficially owned by Mr. Fu. Under the SFO, Mr. Fu is deemed to be interested in all the Shares held by Vivid Colour.
4. These Shares are registered in the name of Jun Ming, the entire issued share capital of which is legally and beneficially owned by Mr. Wang. Under the SFO, Mr. Wang is deemed to be interested in all the Shares held by Jun Ming.
5. LWK Yiheng is an indirect non wholly-owned subsidiary of our Group, with Mr. Wang holding 1% of its equity interest.

Pre-IPO Share Option Scheme

Each of our executive Directors are grantees under the Pre-IPO Share Option Scheme. For details of the Pre-IPO Share Option Scheme, please refer to the paragraph headed “E. Pre-IPO Share Option Scheme” in this appendix. For details of the outstanding options which have been granted to them under the Pre-IPO Share Option Scheme, please refer to the paragraph headed “E. Pre-IPO Share Option Scheme — Outstanding Pre-IPO Options ” in this appendix.

Particulars of service agreements

- (a) Each of our Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date and such service agreement will continue thereafter until terminated in accordance with the terms of the agreement.
- (b) Each of our Directors has entered into a letter of appointment with our Company for an initial term of three years commencing from the Listing Date and such letter of appointment will continue thereafter unless terminated by either party giving at least one month’s notice in writing.
- (c) Save and except for Mr. Wang and Mr. He Xiao, each of whom have entered into a service agreement with LWK Yiheng, and save as disclosed herein, none of our Directors has entered into service agreements with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Directors' remuneration

- (a) An aggregate sum of approximately HK\$9.4 million and HK\$13.0 million was paid to our Directors as remuneration and benefits in kind for each of the two years ended 31 December 2011 and 2012, respectively.
- (b) It is expected that an aggregate sum of approximately HK\$15.5 million will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 December 2013 pursuant to the current arrangements excluding discretionary bonus and share-based payment.
- (c) Save for the Directors' fees, none of our independent non-executive Directors are expected to receive any other remuneration for holding their office as independent non-executive Directors.
- (d) During the Track Record Period, none of our Directors has been paid any sum of money for (a) as an inducement to join or upon joining any member of our Group or (b) for loss of office as director or any other office in connection with the management affairs of any member of our Group.
- (e) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.
- (f) Our Company determines the amount of Director's remuneration mainly based on Directors' qualifications, performance and market comparables. Upon the Listing, the remuneration of our Directors will more directly be linked to the return to Shareholders and the performance of our Group.

2. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Placing and the Capitalisation Issue without taking into account any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or the options which may be granted under the Share Option Scheme or pursuant to the exercise of the Offer Size Adjustment Option, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Long positions in Shares, underlying Shares and debentures

Name	Nature of Interest	Number of Shares held after the Placing	Approximate percentage of shareholding after the Placing
Rainbow Path	Beneficial interest	75,868,000	42.15%
Vivid Colour	Beneficial interest	36,632,000	20.35%
Veteran Ventures	Beneficial interest	7,200,000	4.00%
Mr. Liang (<i>Note 1</i>)	Interest in Controlled Corporation (<i>Note 2</i>)	83,068,000	46.15%
Mr. Fu (<i>Note 1</i>)	Interest in Controlled Corporation (<i>Note 3</i>)	36,632,000	20.35%
Ms. Liang (<i>Note 4</i>)	Interest of spouse	83,068,000	46.15%
Ms. Chung Wai Chi, Connie (<i>Note 5</i>)	Interest of spouse	36,632,000	20.35%

Notes:

1. Mr. Liang and Mr. Fu are our executive Directors.
2. Among these 83,068,000 Shares, 75,868,000 Shares are held by Rainbow Path and 7,200,000 Shares are held by Veteran Ventures, both of which in turn are wholly and beneficially owned by Mr. Liang. As such, Mr. Liang is deemed under the SFO to be interested in these 83,068,000 Shares held by Rainbow Path and Veteran Ventures upon the Listing.
3. These 36,632,000 Shares are held by Vivid Colour, which in turn are wholly and beneficially owned by Mr. Fu. As such, Mr. Fu is deemed under the SFO to be interested in these 36,632,000 Shares held by Vivid Colour upon the Listing.
4. Ms. Liang, the spouse of Mr. Liang, is deemed under the SFO to be interested in these 83,068,000 Shares in which Mr. Liang is deemed to be interested upon the Listing.
5. Ms. Chung Wai Chi, Connie, the spouse of Mr. Fu, is deemed under the SFO to be interested in these 36,632,000 Shares in which Mr. Fu is deemed to be interested upon the Listing.

3. Fees or commission received

Save as disclosed in the section headed “Underwriting — Commission and Expenses” in this prospectus, none of our Directors or the experts named below in the paragraph headed “8. Consents of Experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

4. Related party transactions

Save as disclosed in note 40 in Appendix I to this prospectus, our Group has not entered into any related party transaction within the two years immediately preceding the date of this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents of Experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “Consents of Experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

- (d) not taking into account of Shares which may be issued pursuant to options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme or pursuant to the exercise of the Offer Size Adjustment Option, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Placing and the Capitalization Issue have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the Shareholders of our Company on 5 December 2013.

For the purpose of this section, unless context otherwise requires:

“Adoption Date”	means 5 December 2013, the date which the Share Option Scheme is conditionally adopted by our Company by the written resolutions of the Shareholders
“Board”	means the Board or a duly authorized committee thereof
“Eligible Employee”	means any employee (whether full time or part time employee, including any executive Directors) of our Company, any of its Subsidiaries and any Invested Entity
“Group”	means our Company and its Subsidiaries from time to time
“Invested Entity”	means any entity in which our Group holds any equity interest
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting
“Option Period”	means in respect of any particular Option, such period as the Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and that the Board may at its discretion determine the minimum period for which the Option has to be held before the exercise of the Option
“Participant”	means any person belonging to any of the following classes of participants: (a) any Eligible Employee;

- (b) any non-executive director (including independent non-executive directors) of our Company, any of its Subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of our Group or any Invested Entity;
- (d) any customer of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to our Group or any Invested Entity;
- (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of our Group or any Invested Entity; and
- (h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of our Group,

and for the purposes of the Share Option Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust

“Post IPO Grantee”

means any Participant who accepts the offer of the grant of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal representative of such person

“Scheme Period”

means a period commencing on the Adoption Date and ending on the tenth anniversary of the Adoption Date (both dates inclusive)

(a) *Purpose of Share Option Scheme*

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity.

(b) *Who may join*

Subject to the Share Option Scheme and the GEM Listing Rules, the Board shall be entitled at any time and from time to time within the Scheme Period to offer to grant to any Participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an Option to subscribe for such number of Shares as the Board may determine at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of the Option, the Participant shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of twenty one days from the date on which the Option is granted.

(c) *Grant of option and acceptance of offer*

No offer of grant of Options shall be made where inside information has come to our Company's knowledge until an announcement of such inside information has been published in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rule) for approval of the results of our Company for any year, half-year or quarter-year period (if applicable) or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly (if applicable) or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the announcement of the results, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. The Board may not grant any Option to a Participant who is a Director during the periods or times in which such Directors are prohibited from dealing in the Shares prescribed by Rules 5.48 to 5.67 of the GEM Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

No Participant shall be granted Options if exercised in full, would result in the total number of Shares already issued under all the Options granted to him which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month

period would exceed 1% of the total number of Shares in issue, provided that if approved by Shareholders in general meeting with such Participant and his associates abstaining from voting, our Company may make further grant of Options to such Participant (the “**Further Grant**”) notwithstanding that the Further Grant would result in the total number of Shares already issued under all the Options granted to such Participant which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue. We must send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted and Options previously granted to such Participant and all the information required under the GEM Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Participant must be fixed before the Shareholders’ approval and the date of the meeting of the Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the relevant subscription price.

Unless the Board otherwise determined and stated in the offer of the grant of options to a participant, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(d) Price of Shares

The subscription price in respect of Share under any particular Option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of the grant of the Option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of the grant of the Option; and (iii) the nominal value of a Share.

For the purpose of determining the relevant subscription price where the Shares have been listed on the Stock Exchange for less than five trading days preceding the date of the grant of the Option, the issue price of the Shares shall be deemed to be the closing price of the Shares for any trading day falling within the five trading days period after the Listing Date.

(e) Maximum amount of Shares

- (i) The total number of Shares which may be issued upon exercise of all Options (excluding for this purpose Options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of

the Shares in issue on the Listing Date. On the basis of 180,000,000 Shares in issue on the Listing Date, the limit will be equivalent to 18,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

- (ii) Our Company may refresh the 10% limit by seeking prior approval from the Shareholders in a general meeting. The total number of Shares which may be issued upon exercise of all Options after the limit as refreshed, in aggregate, must not exceed 10% of the Shares in issue at the date of such Shareholders' approval from the Shareholders. Options previously granted under the Share Option Scheme or any other schemes (including Options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the refreshed limit.
- (iii) Our Company may also grant Options beyond the 10% limit by seeking Shareholder approval in a general meeting, provided that the Post IPO Grantee(s) of such Option(s) must be specifically identified before such approval is sought. In relation to the Shareholder's approval referred to in this paragraph (iii), our Company shall send a circular to the Shareholders containing a generic description of the specified Post IPO Grantees who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options, an explanation as to how the terms of the Options serve such purpose and the information required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, our Company must not grant any Options if the number of Shares, which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and other schemes, exceeds 30% of the Shares in issue from time to time.

(f) *Time of Exercise of Option*

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by the Board absolutely, provided that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme. The Board may at its discretion determine the minimum period for which the Option has to be held before the Option can be exercised.

(g) *Rights are personal to grantee*

An Option shall be personal to the Post IPO Grantee and shall not be assignable and no Post IPO Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option (except for the transmission of an Option on the death of the Grantee to his legal personal representative(s) in accordance with the terms of the Share Option Scheme). Any breach of the foregoing by the Post IPO Grantee shall entitle us to cancel any outstanding Option or part thereof granted to such Post IPO Grantee (to the extent not already exercised) without incurring any liability on our Company.

(h) *Rights on death*

If a Post IPO Grantee ceases to be a Participant by reason of death before exercising the Options in full, his legal personal representative(s) may exercise the Options in whole or in part (to the extent that it has become exercisable and not already exercised prior to such date of death) within a period of twelve months from the date of death, failing which such Option will lapse.

(i) *Changes in capital structure*

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganisation of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the subscription price; and/or
- (iii) the method of exercise of the Option; and/or
- (iv) the maximum number of Shares referred in sub-paragraph (e) above and the Further Grant referred in sub-paragraph (c) above,

as our Company's independent financial adviser or auditors shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Post IPO Grantee is entitled after such alteration shall remain the same as that to which he was entitled to before such alteration and that the aggregate subscription price payable by a Post

IPO Grantee on the full exercise of any Option shall remain as close as possible (but shall not be greater than) as it was before such event. No such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group for cash or as consideration in a transaction.

The capacity of our Company's independent financial adviser and auditors is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and binding on our Company and the Post IPO Grantees. The cost of our independent financial advisers and the auditors shall be borne by us.

(j) *Rights on take-over*

In the event of a general or partial offer, whether by way of take-over, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (for the purposes of the Takeovers Code) with the offeror, we shall use all reasonable endeavours to procure that such offer is extended to all the Post IPO Grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer becomes or is declared unconditional, a Post IPO Grantee shall be entitled to exercise his Option (to the extent not already exercised) to its full extent or to the extent specified in the Post IPO Grantee's notice to us in exercise of his Option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be.

(k) *Rights on a compromise or arrangement*

- (i) In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Post IPO Grantees and thereupon, each Post IPO Grantee, subject to the provisions of all applicable laws (or where permitted under sub-paragraph (h) above, his legal personal representative(s)) shall be entitled to exercise all or any of his Options (to the extent which has become exercisable and not already exercised) at any time not later than two (2) Business Days prior to the proposed general meeting of our Company by giving notice in writing to us, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon we shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the

proposed general meeting referred to above, allot the relevant Shares to the Post IPO Grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

- (ii) In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice thereof to all Post IPO Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any Post IPO Grantee (or where permitted under sub-paragraph (h) above his legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court be entitled to exercise his Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Our Company may thereafter require such Post IPO Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his Option so as to place the Post IPO Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(l) Rights of Post IPO Grantee ceasing to be a Participant

In the event of the Post IPO Grantee ceasing to be a Participant for any reason other than his death or termination of his employment on one or more of the grounds specified in the sub-paragraph (m)(iv) below, the Post IPO Grantee may exercise the Option in accordance with the Share Option Scheme, up to his entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) which date shall be the last actual working day with our Company or the relevant Subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as the Board may determine.

(m) Lapse on option

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);

- (ii) the expiry of any periods referred to in paragraphs (h) and (l);
- (iii) the date on which the offer (or the case may be, revised offer) referred to in sub-paragraph (j) above closes;
- (iv) subject to sub-paragraph (k)(i) above, the date of the commencement of the winding-up of our Company;
- (v) the date on which the Post IPO Grantee ceases to be a Participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment summarily at common law or pursuant to any applicable laws or under the Post IPO Grantee's service contract with our Company or the relevant Subsidiary or the relevant Invested Entity. A resolution of the Board or the board of directors of the relevant Subsidiary or the board of directors of the relevant Invested Entity to the effect that employment of a Post IPO Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Post IPO Grantee;
- (vi) subject to sub-paragraph (k)(ii) above, the date when the proposed compromise or arrangement becomes effective;
- (vii) the date on which the Post IPO Grantee commits a breach of sub-paragraph (g) above; or
- (viii) if our Directors at their absolute discretion determine that the Post IPO Grantee (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the Post IPO Grantee or his associate on the one part and our Group or any Invested Entity on the other part or that the Post IPO Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, our Directors shall determine that the outstanding Options granted to the Post IPO Grantee (whether exercisable or not) shall lapse. In such event, his Options will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

(n) *Ranking of Shares*

Shares allotted and issued upon exercise of an Option will be subject to all provisions of our Company's articles of associations amended from time to time and will rank *pari passu* in all respects with the existing fully paid Shares in issue as from the day when the name of the Post IPO Grantee is registered on the register of members of our Company and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date when the name of the Post IPO Grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the Post IPO Grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of our Company is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of our Company is re-opened. A Share allotted upon exercise of an Option shall not carry any voting right until the completion of the registration of the Post IPO Grantee as the holder thereof.

(o) *Cancellation of Options granted*

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be subject to the prior written consent of the relevant Post IPO Grantee and approval of our Directors.

Where our Company elects to cancel Options and issue new ones to the same Post IPO Grantee, the issue of such new Options may only be made under a scheme with available unissued Options (excluding cancelled Options) within the limit approved by the Shareholders.

(p) *The Scheme Period*

Subject to the termination of the Share Option Scheme, the Share Option Scheme will be valid and effective for the Scheme Period, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the Scheme Period and remain unexercised immediately prior to the end of the Scheme Period shall continue to be exercisable in accordance with their terms of grant.

(q) *Alteration and termination of Share Option Scheme*

The terms and conditions of the Share Options Scheme relating to the matters set out in Rule 23.03 of the Listing Rules shall not be altered to the advantage of participants except with the approval of the Shareholders in

general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of the Board in relation to any alteration to the term of the Share Option Scheme shall be approved by the Shareholders in general meeting except where the alteration take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules and no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to options granted under the Share Option Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

Our Company, by ordinary resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered. On termination, the provision of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(r) *Granting of option to a Director, chief executive of our Company or substantial Shareholder or any of their associates*

Where Options are proposed to be granted to a Director, chief executive of our Company or substantial Shareholder, or any of their respective associates, the proposed grant must be approved by all non-executive independent Directors (excluding any independent non- executive Director who is the grantee of the Options).

If a grant of Options to a substantial shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all Options granted and to be granted (including both exercised and outstanding Options) to such a person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such a further grant of Options must be approved by Shareholders in a general meeting. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his or her intention to do so has been stated in the circular. The circular must contain the information required under the GEM Listing Rules.

In addition, any change in the terms of the Option granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the Shareholders in a general meeting. The circular must contain the following:

- (i) details of the number and terms of the Options (including the Option period, performance targets (if any), basis of determination of subscription price and the rights attached to the Shares or the Option) to be granted to each substantial Shareholder or independent non-executive Director, or any of their respective associations, which must be fixed before the Shareholders' meeting, and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a Post IPO Grantee of the Options) to the independent Shareholders as to voting; and
- (iii) all other information as required by the GEM Listing Rules.

The requirements for the grant of an Option to a Director or chief executive of our Company set out in Rules 23.04(1), (2) and (3) shall not apply where the proposed grantee is only a proposed Director or chief executive of our Company.

(s) *Conditions of Share Option Scheme*

The Share Option Scheme is conditional upon on (i) the passing of a resolution by the Shareholders to adopt the Share Option Scheme; (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares which fall to be issued upon exercise of the Options granted; and (iii) the commencement of dealings in the Shares on the GEM Stock Exchange.

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of Options under Share Option Scheme and listing of, and permission to deal in, the Shares which fall to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

E. PRE-IPO SHARE OPTION SCHEME

Summary of Terms

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme conditionally approved by the Shareholders of our Company on 5 December 2013. The terms of our Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 23 of the GEM Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares once we have become a listed issuer.

(a) *Purpose of Pre-IPO Share Option Scheme*

The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognise and motivate the contributions that our Directors, members of senior management and other employees have made or may make to our Group.

(b) *Who may join*

The eligible participants under the Pre-IPO Share Option Scheme include only Eligible Employee (as defined in the paragraph headed "Share Option Scheme" above in this appendix).

(c) *Grant of options and acceptance of offer*

An offer shall be made to a participant by letter in duplicate in such form as our Board may from time to time determine, requiring the participant to undertake to hold the option granted under the Pre-IPO Share Option Scheme (the "**Pre-IPO Option(s)**") on the terms on which it is to be granted and to be bound by the

provisions of the Pre-IPO Share Option Scheme. Upon acceptance of the Pre-IPO Option, the participant shall pay HK\$1.00 to our Company by way of consideration for the grant. The Pre-IPO Option will be offered for acceptance for a period of five days from the date on which the Pre-IPO Option is granted.

(d) *Exercise price*

Subject to adjustment in the event of alteration to share capital of our Company as provided for in (i) of the paragraph headed “Share Option Scheme” above in this appendix, the exercise price for the Shares under the Pre-IPO Share Option Scheme shall be equivalent to the Placing Price.

(e) *Maximum amount of Shares*

Subject to adjustment in the event of alteration to share capital of our Company as provided for in paragraph (i) of the paragraph headed “Share Option Scheme” above in this appendix, the total number of Shares subject to the Pre-IPO Share Option Scheme is 12,525,000.

(f) *Time of exercise of Pre-IPO Option*

An Pre-IPO Option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined by the Board absolutely, provided that such period shall not be more than ten years from the date upon which the Pre-IPO Option is deemed to be granted and accepted in accordance with the Pre-IPO Share Option Scheme. The Board may, at its discretion, determine the minimum period for which the Pre-IPO Option has to be held before the Pre-IPO Option can be exercised.

For detail of the exercise period of the outstanding Pre-IPO Options, please refer to the sub-paragraph headed “Present status of the Pre-IPO Share Option Scheme” below in this appendix.

(g) *Rights are personal to grantee*

An Pre-IPO Option shall be personal to the grantee (“**Grantee**”) and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Grantee shall entitle us to cancel any outstanding Pre-IPO Option or part thereof granted to such Grantee (to the extent no already exercised) without incurring any liability on our Company.

(h) *Rights on death*

If a Grantee ceases to be a participant by reason of death before exercising the Pre-IPO Options in full, his legal personal representative(s) may exercise the Pre-IPO Options in whole or in part (to the extent that it has become exercisable and not already exercised prior to such date of death) within a period of twelve months from the date of death, failing which such Pre-IPO Option will lapse.

(i) *Changes in capital structure*

In the event of any alteration in the capital structure of our Company whilst any Pre-IPO Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganisation of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in:

- (i) the number or nominal amount of Shares subject to the Pre-IPO Option so far as unexercised; and/or
- (ii) the subscription price; and/or
- (iii) the method of exercise of the Pre-IPO Option; and/or
- (iv) the maximum number of Shares referred in sub-paragraph (e) above,

our Company's independent financial adviser or auditors shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he was entitled to before such alteration and that the aggregate subscription price payable by a Grantee on the full exercise of any Pre-IPO Option shall remain as close as possible (but shall not be greater than) as it was before such event. No such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group for cash or as consideration in a transaction.

The capacity of our Company's auditors and independent financial advisers is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and binding on our Company and the participants.

(j) *Rights on take-over*

In the event of a general or partial offer, whether by way of take-over, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (for the purposes of the Takeovers Code) with the offeror, we shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the Pre-IPO Options granted to them, Shareholders. If such offer becomes or is declared unconditional, a Grantee shall be entitled to exercise his Pre-IPO Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to us in exercise of his Pre-IPO Option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be.

(k) *Rights on a compromise or arrangement*

- (i) In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee, subject to the provisions of all applicable laws (or where permitted under sub-paragraph (h) above, his legal personal representative(s)) shall be entitled to exercise all or any of his Pre-IPO Options (to the extent which has become exercisable and not already exercised) at any time not later than two (2) Business Days prior to the proposed general meeting of our Company by giving notice in writing to us, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon we shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.
- (ii) In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any Grantee (or where permitted under sub-paragraph (h) above his legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court be entitled to exercise his Pre-IPO Option (to the extent which has become exercisable and not already exercised), but the exercise of the Pre-IPO Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Our Company may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his Pre-IPO Option so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(l) *Rights of Grantee ceasing to be a participant*

In the event of the Grantee ceasing to be a participant for any reason other than his death or termination of his employment on one or more of the grounds specified in the sub-paragraph (m)(v) below, the Grantee may exercise the Pre-IPO Option in accordance with the Pre-IPO Share Option Scheme, up to his entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) which date shall be the last actual working day with our Company or the relevant Subsidiary (as defined in the paragraph headed "Share Option Scheme" above in this appendix) or the relevant Invested Entity (as defined in the paragraph headed "Share Option Scheme" above in this appendix) whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as the Board may determine.

(m) *Lapse of option*

An Pre-IPO Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period (subject to the provisions of the Pre-IPO Share Option Scheme);
- (ii) the expiry of any periods referred to in paragraphs (h) and (l);
- (iii) the date on which the offer (or the case may be, revised offer) referred to in sub-paragraph (j) above closes;
- (iv) subject to sub-paragraph (k)(i) above, the date of the commencement of the winding-up of our Company;
- (v) the date on which the Grantee ceases to be a participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant Subsidiary or the relevant Invested Entity. A resolution of the Board or the board of directors of the relevant Subsidiary or the board of directors of the relevant Invested Entity to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee;

- (vi) subject to sub-paragraph (k)(ii) above, the date when the proposed compromise or arrangement becomes effective;
- (vii) the date on which the Grantee commits a breach of sub-paragraph (g) above; or
- (viii) if our Directors at their absolute discretion determine that the Grantee (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and our Group or an Invested Entity on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, our Directors shall determine that the outstanding Pre-IPO Options granted to the Grantee (whether exercisable or not) shall lapse. In such event, his Pre-IPO Options will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

(n) *Ranking of Shares*

Shares allotted and issued upon exercise of a Pre-IPO Option will be subject to all provisions of our Company's articles of associations amended from time to time and will rank *pari passu* in all respects with the existing fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date when the name of the Grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the Grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Pre-IPO Option falls on a day upon which the register of members of our Company is closed then the exercise of the Pre-IPO Option shall become effective on the first Business Day in Hong Kong on which the register of members of our Company is re-opened. A Share allotted upon exercise of a Pre-IPO Option shall not carry any voting right until the completion of the registration of the Grantee as the holder thereof.

(o) *Cancellation of Pre-IPO Options granted*

Any cancellation of Pre-IPO Options granted in accordance with the Pre-IPO Share Option Scheme but not exercised must be subject to the prior written consent of the relevant Grantee and approval of our Directors. Where our Company elects to cancel Pre-IPO Options and issue new ones to the same Grantee, the issue of such new Pre-IPO Options may only be made under a scheme with available unissued options (excluding cancelled options) within the limit approved by the Shareholders.

(p) *The scheme period*

The Pre-IPO Share Option Scheme will be valid and effective until the day immediate preceding the Listing Date after which period no further Pre-IPO Options will be granted but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect in all other respects, in particular, in respect of options remaining then outstanding, the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect.

(q) *Conditions of Pre-IPO Share Option Scheme*

The Pre-IPO Share Option Scheme (and the options granted thereunder) is conditional upon, among other things: (i) the Stock Exchange granting the approval of the listing of and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and any options under the Pre-IPO Share Option Scheme and the Share Option Scheme; (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement; and (iii) the commencement of dealings in the Shares on the GEM of the Stock Exchange.

Present status of the Pre-IPO Share Option Scheme

As at the Latest Practicable Date, options to subscribe for an aggregate of 12,525,000 Shares represent (i) approximately 6.96% of the issued share capital of our Company upon completion of the Capitalisation Issue and the Placing (excluding any Shares which may be issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme); and (ii) approximately 6.51% of the enlarged issued share capital of our Company upon completion of the Capitalisation Issue and the Placing and assuming full exercise of the outstanding options granted under the Pre-IPO Share Option Scheme (excluding any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme), at an exercise price equivalent to the Placing Price, had been conditionally granted by our Company to a total of six Directors, seven members of senior management and 125 other employees of our Group (“**Other Grantees**”) under the Pre-IPO Share Option Scheme.

As such, assuming full exercise of the outstanding options granted under the Pre-IPO Share Option Scheme (excluding any Share to be issued upon the exercise of IPO Share Options), the shareholding of our Shareholders immediately following the Listing will be diluted by approximately 6.51% if calculated based on 192,525,000 Shares. Such assumed number of Shares to be in issue and outstanding throughout the year ending December 31, 2013 solely for purposes of this calculation, comprises of 180,000,000 Shares to be in issue immediately after the Placing, and 12,525,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme (excluding any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme). The fair value of the share options granted under the Pre-IPO Share Options Scheme calculated by an external valuer (based on the mid-point of our

indicative price range for the Placing), is approximately HK\$2.9 million, which will be charged to the combined statements of profit or loss and comprehensive income of our Group over the vesting period by reference to the fair value at the date on which the share option are granted. Accordingly, our estimated share-based expenses to be recorded for the year ending 31 December 2013, 2014, 2015 and 2016 for the options granted on 6 December 2013 under the Pre-IPO Share Option Scheme are approximately HK\$0.1 million, HK\$1.3 million, HK\$1.1 million and HK\$0.4 million respectively. Further, assuming that (i) our Company had been listed on the Stock Exchange since 1 January 2012 with 180,000,000 Shares in issue; and (ii) our Company had been listed on the Stock Exchange since 1 January 2012 with 180,000,000,000 Shares in issue and all the options granted under the Pre-IPO Share Option Scheme in respect of 12,525,000 Shares were exercised in full on 1 January, 2012, the earnings per Share on a pro forma basis would be diluted by approximately 6.5% for both of the year ended 31 December 2012 and the six months ended 30 June 2013.

A breakdown of the Grantees by category under the Pre-IPO Share Option Scheme is set out below:

Category of grantees	Number of grantees	Number of Shares subject to options granted under the Pre-IPO Share Option Scheme
Executive Directors	6	4,800,000
Senior management of our Group	7	1,200,000
Other employees of our Group	125	6,525,000

Save as disclosed above, no options have been granted or will be granted under the Pre-IPO Share Option Scheme.

Pursuant to the Pre-IPO Share Option Scheme and the offer letters in respect of the grant of the options:

- (i) In respect of each grantee belonging to the following classes, the options conditionally granted to him/her under the Pre-IPO Share Option Scheme are subject to the following vesting and exercise period:
 1. **Grantees who are our Directors:** all the Pre-IPO Option shall become vested and exercisable on the 3rd anniversary date of the Listing Date, and the exercise period in respect thereof shall commence on the 3rd anniversary date of the Listing Date and end on the day immediately before the 4th anniversary date of the Listing Date (both dates inclusive).

2. **Grantees who are members of Senior Management and Other Grantees:** all the options shall become vested and exercisable on the 2nd anniversary date of the Listing Date, and the exercise period in respect thereof shall commence on the 2nd anniversary date of the Listing Date and end on the day immediately before the 3rd anniversary date of the Listing Date (both dates inclusive).
- (ii) Subject to adjustment in the event of alteration to share capital of our Company as provided for in (q) of the paragraph headed “Share Option Scheme” above in this appendix, the exercise price for the Shares under the Pre-IPO Share Option Scheme shall be equivalent to equivalent to the Placing Price.
- (iii) A nominal consideration of HK\$1.00 is payable by each grantee on acceptance of the grant of options under the Pre-IPO Share Option Scheme.

As at the Latest Practicable Date, other than the Grantees who are our Directors, none of the grantees is a connected person of our Company. Pursuant to Rule 11.23 of the GEM Listing Rules, the Stock Exchange will not regard any Shares to be issued upon exercise of options under the Pre-IPO Share Option Scheme and held by a connected person as being “in public hands”. The Pre-IPO Share Option Scheme provides that our Company shall be entitled to suspend and/or defer the exercise of an option until such time as is necessary to ensure that the minimum public float as required under the GEM Listing Rules is maintained upon such exercise of the options under the Pre-IPO Share Option Scheme.

An application has been made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued and allotted by our Company pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

Our Company has applied to the Stock Exchange and the SFC respectively for and has been granted: (i) a waiver from strict compliance with the disclosure requirements under Rules 23.02(1)(b) and paragraph 27 of Appendix 1A of the GEM Listing Rules; and (ii) an exemption under section 342A of the Companies Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part 1 of the Third Schedule to the Companies Ordinance on the ground that full compliance with requirements would be unduly burdensome for our Company. For details please refer to the section headed “Waivers from Strict Compliance with the GEM Listing Rules and Exemption from the Companies Ordinance” in this prospectus.

Outstanding Pre-IPO Options

Particulars of the outstanding options which have been granted under the Pre-IPO Share Option Scheme as at the Latest Practicable Date are set out below:

Name of the Grantees ^(Note)	Position within our Group	Residential address ^(Note)	Consideration paid for the acceptance of options granted	Exercise price	Date of grant	Exercise period	Number of the underlying Shares	Approximate % of issued share capital of our company immediately upon Listing
Grantees who are our Directors								
Liang Ronald	Executive Director	Unit B, 15/F., Tower 2, Tregunter 14 Tregunter Path Mid-Levels, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the third anniversary date of the Listing Date to the fourth anniversary date of the Listing Date (both dates inclusive)	800,000	0.445%
Fu Chin Shing	Executive Director	Flat C, 43/F., Block 9, Island Harbour View, Tai Kok Tsui, Kowloon, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the third anniversary date of the Listing Date to the fourth anniversary date of the Listing Date (both dates inclusive)	800,000	0.445%
Wang Jun You	Executive Director	Flat F, 2/F., Block H, Sanxiang Haishang Garden, Nanshan District, Shenzhen, Guangdong, PRC	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the third anniversary date of the Listing Date to the fourth anniversary date of the Listing Date (both dates inclusive)	800,000	0.445%
Lo Kin Nang	Executive Director	Flat B, 1/F., Block 27, Greenwood Terrace, 26-28 Sui Wo Road, Shatin, New Territories, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the third anniversary date of the Listing Date to the fourth anniversary date of the Listing Date (both dates inclusive)	800,000	0.445%
Ng Kwok Fai	Executive Director	Flat A, 31/F., Tower 2, Lake Silver, 599 Sai Sha Road, Ma On Shan, New Territories, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the third anniversary date of the Listing Date to the fourth anniversary date of the Listing Date (both dates inclusive)	800,000	0.445%
He Xiao	Executive Director	3A, Block 36, Cui Di Wan, Xin Zhou Road, Futian District, Shenzhen, Guangdong, PRC	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the third anniversary date of the Listing Date to the fourth anniversary date of the Listing Date (both dates inclusive)	800,000	0.445%
Sub-total	Number of Grantees	6					4,800,000	2.670%

Name of the Grantees ^(Note)	Position within our Group	Residential address ^(Note)	Consideration paid for the acceptance of options granted		Date of grant	Exercise period	Number of the underlying Shares	Approximate % of issued share capital of our company immediately upon Listing
			Exercise price					
Grantees who are members of Senior Management								
Chan Pak Yuen	Director of architecture	48G, Block 7, Metro Harbour View, 8 Fuk Lee Street, Tai Kok Tsui, Kowloon, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Yu Wing Sze	Company secretary, authorised representative and chief financial officer	Flat B, 53/F, Tower 7, Bellagio, 33 Castle Peak Road, Sham Tseng, New Territories, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Lai Wing Chau Niki	Director of landscape	Flat A, 16/F, Wing On Court, 24 Homantin Hill Road, Kowloon, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Chan Chui Man	Associate director of architecture	Flat F, 28/F, Block 16, Sceneway Garden, 8 Sceneway Road, Lam Tin, Kowloon, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Ma Kwai Lam Lambert	Associate director of architecture	Flat B, 52/F, Block 9, Island Resort, 28 Siu Sai Wan Road, Siu Sai Wan, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Li Min	Chief financial officer of LWK Yiheng	Flat F, 2/F, Block H, Sanxiang Haishang Garden, Nanshan District, Shenzhen, Guangdong, PRC	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.060%
Zhang Li Juan	PRC operations and contract manager	4E-4F, Delong Yuan, Defu Garden, Buji Town, Longgang District, Shenzhen, Guangdong, PRC	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.060%
Sub-total	Number of Grantees	7					1,200,000	0.670%

Name of the Grantees <i>(Note)</i>	Position within our Group	Residential address <i>(Note)</i>	Consideration paid for the acceptance of options granted		Date of grant	Exercise period	Number of the underlying Shares	Approximate % of issued share capital of our company immediately upon Listing
				Exercise price				
Other Grantees								
1. <i>Other Grantees who have been granted options to subscribe for 100,000 Shares or more</i>								
Chan Ho Chung	Associate director	Flat G, 14/F, Block 13, South Horizons, Ap Lei Chau, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Chee Hon Kong	Associate director	Room 01, 1/F, Yan Chung House, Yan Ming Court, Tseung Kwan O, New Territories, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Cheung Wing Kin	Associate director	Flat 2, 15/F, Block A, Greenfield Terrace, 26 Homantin Road, Kowloon, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Chiu Kwok Wing	Associate director	Flat B, 8/F, Block 5, 69 Siu Lek Yuen Road, Castello, Shatin, New Territories, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Chan Hiu	Technical director	Flat B, 14/F, Block 3, Provident Centre, North Point, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Chiu Yeun Chung, Alfred	Director of operations development	Flat H, 25/F, Block 12, Laguna City, Kwun Tong, Kowloon, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%

Name of the Grantees ^(Note)	Position within our Group	Residential address ^(Note)	Consideration paid for the acceptance of options granted		Date of grant	Exercise period	Number of the underlying Shares	Approximate % of issued share capital of our company immediately upon Listing
			Exercise price					
Chan Tin Yeung, Joseph	Director of planning	Flat F, 33/F, Hing Hon Building, 26-36 King's Road, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Lee Chung Ming, Eric	Director of LWK Conservation	G/F, 193 Sheung Sze Wan, Clear Water Bay, Sai Kung, New Territories, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Wong Kai Ming	Director of Shanghai office	G/F, 32C Braga Circuit, Mong Kok, Kowloon, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	200,000	0.110%
Leung Shun Cheung, Xylem	Senior associate	Room 1504, 33-45 Wun Sha Street, Tai Hang, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Chan Calvert	Senior associate	10C, Block 9, Park Island, Ma Wan, New Territories, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%

Name of the Grantees ^(Note)	Position within our Group	Residential address ^(Note)	Consideration paid for the acceptance of options granted		Date of grant	Exercise period	Number of the underlying Shares	Approximate % of issued share capital of our company immediately upon Listing
			Exercise price					
Chan Chi Keong	Senior associate	Flat E, 31/F, Block 19, Mei Hong Court, South Horizons, Ap Lei Chau, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Limbo Rene V.	Senior associate	4/F, 7C, O'Brien Road, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Cheung Man Lun, Allan	Senior associate	Flat D, 12/F, Block 4, Tolo Place, 628 Pai Sha Road, Ma On Shan, New Territories, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Ho Wai Keung	Senior associate	Flat 1610, Block M, Kornhill, 45 Hong Yue Street, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Hui Kwan	Senior associate	Flat C, 38/F, Block 1, Kornville, 38 Yau Man Street, Quarry Bay, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Wong Kar Man, Carmen	Senior associate	Flat 9H, Carmel-On-The-Hill, 9 Carmel Village Street, Homantin, Kowloon, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%

Name of the Grantees ^(Note)	Position within our Group	Residential address ^(Note)	Consideration paid for the acceptance of options granted		Date of grant	Exercise period	Number of the underlying Shares	Approximate % of issued share capital of our company immediately upon Listing
			Exercise price					
Yau Tang Yiu	Senior associate	Flat E, 18/F, Block 8, Flora Plaza, Fanling, New Territories, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Kwong Wai Hung, Louis	General manager of LWK Shenzhen	Flat E, 20/F, Fu Kar Yuen, Block 15, Chi Fu Fa Yuen, 15 Chi Fu Road, Pokfulam, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Wong Chun Wan, Bruce	Associate II	Flat 11H, Block 1, Tung Chung Crescent, Tung Chung, New Territories, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Ng Siu Kwan	Head of internal control	Room 1817, 18/F, Oi Fai House, Yau Oi Estate, Tuen Mun, New Territories, Hong Kong	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Zeng Fan	Associate director	4C, Bitian Ge, Haibin Garden, 1 Xin Hua Lu, Nanshan District, Shenzhen, Guangdong, PRC	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Gao Kai	Chief drainage engineer	502, 4 Dan Yuan, Block 6, Dongqu, Qiaodong New Village, Yantian District, Shenzhen, Guangdong, PRC	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Mo Shihai	Chief structural engineer	6H, Block 30, Phase 3, Weilan Haiian, Deng Liang Lu, Nanshan District, Shenzhen, Guangdong, PRC	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%

Name of the Grantees ^(Note)	Position within our Group	Residential address ^(Note)	Consideration paid for the acceptance of options granted	Exercise price	Date of grant	Exercise period	Number of the underlying Shares	Approximate
								% of issued share capital of our company immediately upon Listing
Han Ping	Chief HVAC engineer	3-505, Block 4, 1st Village, Pengwan Garden, Yantian District, Shenzhen, Guangdong, PRC	HK\$1.00	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	100,000	0.055%
Sub-total	Number of Other Grantees who were granted options to subscribe for 100,000 Shares or more	25					3,400,000	1.880%
2. Remaining Other Grantees (100 in total)			HK\$1.00 each	Equivalent to the Placing Price	6 December 2013	From the second anniversary date of the Listing Date to the third anniversary date of the Listing Date (both dates inclusive)	3,125,000	1.740%
Sub-total	Number of Other Grantees	125					6,525,000	3.620%
Total	Number of Grantees	138					12,525,000	6.960%

Note: The English names of Chinese natural persons and their residential addresses are unofficial English translation for identification purposes only, and in the event of any inconsistency between the Chinese names of the Chinese natural persons and their residential addresses and their English translation, the Chinese names and residential addresses shall prevail.

Other Grantees

Save for the six Grantees who are our Directors, no options were granted to any connected person of our Company under the Pre-IPO Share Option Scheme. Among all the Grantees, 125 Other Grantees (including 25 Grantees who have been granted options to subscribe for 100,000 Shares or more and remaining 100 Other Grantees who were granted options to subscribe for less than 100,000 Shares) have been granted options under the Pre-IPO Share Option Scheme to subscribe for a total of 6,525,000 Shares, representing approximately 3.62% of the issued share capital of our Company upon completion of the Capitalisation Issue and the Placing (excluding any Shares which may be issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme).

F. OTHER INFORMATION**1. Tax indemnity and indemnity relating to compliance matter**

Mr. Liang, Rainbow Path and Veteran Ventures, (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (g) of the paragraph headed “Summary of Material Contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, amongst other things (a) taxation falling on any member of our Group resulting from or by reference to any revenue, income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the date on which the Placing becomes unconditional or any transactions, matters, things, event, act or omission occurring or deemed to occur on or before such date, whether alone or in conjunction with any other transaction, matter, thing, event, act, omission or circumstance whenever occurring, and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and (b) all costs (including legal and costs), expenses, interests, penalties, fines, charges or other liabilities which any member of our Group may properly incur in connection with the investigation, assessment, contesting, settlement in respect of any taxation mentioned above, the legal proceedings in which any member of our Group claim under or in respect of any taxation mentioned above, and in which judgment is given for any member of our Group or the enforcement of any such settlement or judgments.

The Indemnifiers have also, under the deed of indemnity abovementioned, agreed and undertaken to each of the members of our Group and at all times keep the same indemnified on demand from and against any losses, damages, claims or penalties that our Group may suffer or incur, as a result of our Group’s inadvertent breach of certain sections of the Companies Ordinance as more particularly set out in the section headed “Business — Regulatory Compliance — Non-Compliance with the Companies Ordinance” in this prospectus (the “**Compliance Matters**”) as such matters subsist prior to the date on which the abovementioned deed of indemnity becomes unconditional.

The Indemnifiers will, however, not be liable under the deed of indemnity, among other:

- (a) to the extent that provision has been made for such taxation and/or Compliance Matters in the audited consolidated accounts of our Group or the audited accounts of any member of our Group for an accounting period ended on or before 30 June 2013;
- (b) falling on any member of our Group as a result of any transaction entered into by any member of our Group on or after 1 July 2013 in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets;

- (c) to the extent that such taxation arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by the Inland Revenue Department or any other statutory or governmental authority in any part of the world having retrospective effect coming into force after the date hereof or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date hereof with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of any part of the world on the profits of companies for the current or any earlier financial period); or
- (d) to the extent that such taxation and/or Compliance Matters is discharged by another person who is not a member of our Group and that none of the members of Group is required to reimburse such person in respect of the discharge of the taxation and/or Compliance Matters; or
- (e) to the extent of any provision or reserve made for taxation and/or Compliance Matters in the audited accounts referred to in sub-paragraph (a) above which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers or any of them in respect of taxation and/or Compliance Matters shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group, and the estate duty under the laws of Macau and the laws of Hong Kong has been abolished.

2. Litigation

No member of our Group is engaged in any litigation or arbitration of material importance and no litigation of claim of material importance is known of our Directors to be pending or threatened against any member of our Group.

3. Address for service of process and notices

Mr. Fu and Ms. Yu Wing Sze have been nominated as the authorised representatives of our Company to accept service of process and notices in Hong Kong. The address for service of process and notice is 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or the options which may be granted under the Share Option Scheme).

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$43,000 and are payable by our Company.

6. Promoter

Our Company has no promoter.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China Everbright Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Legal advisers of our Company as to PRC laws
D.S. Cheung & Co.	Legal advisers of our Company as to Hong Kong laws
Paulino Comandante – Advogado & Notário Privado	Legal advisers of our Company as to Macau laws

8. Consents of experts

Each of China Everbright Capital Limited, Deloitte Touche Tohmatsu, Conyers Dill & Pearman (Cayman) Limited, Jingtian & Gongcheng, D.S. Cheung & Co. and Paulino Comandante — Advogado & Notário Privado has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is, respectively included.

9. Binding effects

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Taxation of holders of Shares*(a) Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in our Shares.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 31 December 2012 (being the date to which the latest audited combined financial statements of our Group were made up).

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any of our Shares or shares of any of our subsidiaries; and
 - (iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Save as disclosed in this prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "Consents of Experts" in this appendix:
 - (i) is interested legally or beneficially in any securities in our Company or any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by Union Registrars Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.

- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.
- (h) There are no arrangements in existence under which future dividends are to be or agreed to be waived.
- (i) Our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws.
- (j) The English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the paragraph headed "Consents of Experts" in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed "Summary of Material Contracts" in Appendix IV to this prospectus and the statement of adjustments arriving at the figures in the Accountants' Report set out in Appendix I to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of D.S. Cheung & Co., at 29th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of our Company;
- (b) the Accountants' Report of our Group for each of the two years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, the text of which is set out in Appendix I to this prospectus;
- (c) the statement of adjustments arriving at the figures in the Accountants' Report set out in Appendix I to this prospectus;
- (d) the audited consolidated financial statements of LWK Hong Kong for each of the two years ended 31 December 2011 and 2012 and the six months ended 30 June 2013;
- (e) the letter on unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (f) the rules of the Share Option Scheme and Pre-IPO Share Option Scheme referred to in Appendix IV to this prospectus;
- (g) the full list of all the grantees of the Pre-IPO Share Option Scheme, containing all the details in respect of each option required under paragraph 10 of the Third Schedule of the Companies Ordinance and Rule 23.02(1)(b) of and paragraph 27 of Part A of Appendix I to the GEM Listing Rules;
- (h) the letter prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (i) the Companies Law;
- (j) the material contracts referred to in Appendix IV to this prospectus;
- (k) the consents of experts referred to in Appendix IV to this prospectus; and
- (l) the service contracts referred to in Appendix IV to this prospectus.



思城控股有限公司
C CHENG HOLDINGS LIMITED