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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 [●] 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 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.

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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/proposals completed or submitted associated with the project.

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.

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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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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.

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%.

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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 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 [●] 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

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transactions, please refer to the section headed "History, Reorganisation and Group Structure — History and Development — [●]".

Key information from combined statements of financial position

	As at 31 December		As at 30 June
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
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

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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 the section headed Financial Information.

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:

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.

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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 our 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 [●] 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 document, 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.

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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 [●], 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.

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 [●], 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".