[●]

The Directors
C Cheng Holdings 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 of the Company dated 16 December 2013 (the "[●]") in connection with the [●].

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] (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 31 December 2011	2012	At 30 June 2013	At the date of this report	Issued and fully paid up ordinary share capital/ registered capital	Principal activities
Helffrich Ventures Limited ("Helffrich 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 31 December 2011	2012	At 30 June 2013	At the date of this report	Issued and fully paid up ordinary share capital/ registered capital	Principal activities
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
梁黃顧設計顧問（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
深圳市梁黃顧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
廣州梁黃顧建築有限公司 ("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 [●].

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 Helffrich 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 [●].

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "[●]" issued by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of LWK Hong Kong, the Company and Helffrich Ventures who approved their issue. The directors of the Company are responsible for the contents of the [●] 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 2011 HK$'000	Year ended 31 December 2012 HK$'000	Six months ended 30 June 2012 HK$'000 (Unaudited)	Six months ended 30 June 2013 HK$'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)
[●] 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)					
Items that may be reclassified subsequently to profit or loss					
Net fair value (loss) gain arising on available-for-sale financial assets		(373)	34	34	–
Exchange differences arising on translation		1,149	371	(259)	600
Reclassification adjustment upon disposal of available-for-sale financial assets		–	(288)	(288)	–
Other comprehensive income (expense) for the year/period		776	117	(513)	600
Total comprehensive income for the year/period		13,728	27,345	9,572	8,428
Profit (loss) for the year/period attributable to:					
Owners of 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

	Notes	At 31 December 2011 HK$'000	At 31 December 2012 HK$'000	At 30 June 2013 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
		28,402	27,033	26,090
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
		108,382	183,270	185,349
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
		98,622	148,696	137,433
Net current assets		9,760	34,574	47,916
Total assets less current liabilities		38,162	61,607	74,006

		At 31 December		At 30 June
	Notes	**2011**	**2012**	**2013**
		HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities				
Obligations under finance leases	*27*	120	1,315	1,187
Deferred tax liabilities	*20*	3,911	3,680	2,598
		4,031	4,995	3,785
Net assets		34,131	56,612	70,221
Capital and reserves				
Issued capital	*29*	1,000	1,020	1,000
Reserves		32,345	53,222	64,150
Equity attributable to owners of the Company		33,345	54,242	65,150
Non-controlling interests		786	2,370	5,071
Total equity		34,131	56,612	70,221

STATEMENT OF FINANCIAL POSITION

THE COMPANY

	Notes	**At 30 June 2013** *HK$'000*
Non-current asset		
Investment in a subsidiary	*34(ii)*	–
Current liabilities		
Amount due to a subsidiary	*40(ii)*	7,081
Net current liabilities		(7,081)
Net liabilities		(7,081)
Capital and reserve		
Share capital	*29*	–
Accumulated loss	*30*	(7,081)
Deficit		(7,081)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Issued capital	Investment revaluation reserve	Statutory reserve *(Note 1)*	Other reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total
	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								
	Issued capital	Investment revaluation reserve	Statutory reserve *(Note 1)*	Other reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'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	1,000	–	2,165	5,210	7,304	49,041	65,150	5,071	70,221
At 1 January 2012 (Audited)	1,000	254	2,165	–	6,400	23,526	33,345	786	34,131
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)	1,000	–	2,165	–	6,124	34,743	44,032	(329)	43,703

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	2012	2012	2013
		HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
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)	–
Operating cash flows before movements in working capital		25,396	39,399	15,856	20,000
(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)
Cash generated from/(used in) operations		23,793	13,574	1,151	(10,192)
Interest and finance lease charges paid		(67)	(64)	(20)	(74)
Income tax paid		(3,244)	(6,694)	(5,978)	(3,094)
Net cash from/(used in) operating activities		20,482	6,816	(4,847)	(14,360)

		Year ended 31 December		Six months ended 30 June	
	Note	**2011**	**2012**	**2012**	**2013**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
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		(6,244)	(2,011)	125	1,196
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		(6,040)	(5,085)	(93)	(255)
Net increase (decrease) in cash and cash equivalents		8,198	(280)	(4,815)	(13,419)
Cash and cash equivalents at the beginning of the year/period		20,643	29,098	29,098	29,054
Effect of foreign exchange rate changes		257	236	(136)	191
Cash and cash equivalents at end of the year/period		29,098	29,054	24,147	15,826
Represented by:					
Bank balances and cash		30,305	29,054	24,147	18,049
Bank overdrafts		(1,207)	–	–	(2,223)
		29,098	29,054	24,147	15,826

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 [●]. 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 [●] 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.

<u>Equity instruments</u>

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.

<u>Effective interest method</u>

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.

<u>Financial liabilities</u>

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 31 December		**Six months ended 30 June**	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Segment revenue	199,875	269,637	129,764	148,519
Reconciliation				
LWK Yiheng Fair Value Adjustments	(1,397)	(1,355)	(687)	(11)
Combined revenue	198,478	268,282	129,077	148,508
Segment result	15,485	29,714	11,338	9,158
Reconciliation				
LWK Yiheng Fair Value Adjustments	(2,533)	(2,486)	(1,253)	(1,330)
Combined profit for the year/period	12,952	27,228	10,085	7,828

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	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'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
	198,478	268,282	129,077	148,508

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	**2012**	**2012**	**2013**	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*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	–	–	–
	198,478	268,282	129,077	148,508	25,463	26,413	24,662

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	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	*	33,909	*	*
Customer B	28,082	*	14,092	*
Customer C	22,632	*	*	*
Customer D	*	*	15,722	15,635

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

8. OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

	Year ended 31 December		Six months ended 30 June	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Interest expense on:				
Bank overdrafts	56	16	6	64
Obligations under finance leases	11	48	14	10
	67	64	20	74

10. PROFIT BEFORE TAXATION

	Year ended 31 December		Six months ended 30 June	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
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 *(Note 1)*	866	1,171	613	597
Operating lease payments *(Note 2)*	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)	106,935	146,474	66,164	92,387

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			
	Fees	**Salaries and other benefits**	**Bonus** *(Note 2)*	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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			
	Fees	**Salaries and other benefits**	**Bonus** *(Note 2)*	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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)

	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Bonus *(Note 2)*	Other emoluments: Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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

	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Bonus *(Note 2)*	Other emoluments: Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and other benefits	1,019	–	–	–
Bonuses *(Note)*	213	–	–	–
Retirement benefit scheme contributions	12	–	–	–
	1,244	–	–	–

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	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
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	–
	6,560	7,345	4,110	7,811
Deferred tax:				
Current year/period *(Note 20)*	(1,192)	322	(527)	(1,903)
	5,368	7,667	3,583	5,908

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 chargable to EIT for the period from 22 November 2012 (date of establishment) to 31 December 2012 and for the six months ended 30 June 2013.

According to the *State Council Circular on Transitional Policy of Enterprise Income Tax* (Guo Fa [2007] No. 39), the income tax rate applicable to LWK Shenzhen and LWK Yiheng are 24% for the year ended 31 December 2011 and 25% for the year ended 31 December 2012 and the six months ended 30 June 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	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before taxation	18,320	34,895	13,668	13,736
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	56	32	(22)	17
Income tax expense	5,368	7,667	3,583	5,908

13. [●]

[●] 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	Leasehold improvement	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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
	466	1,411	1,135

16. GOODWILL

	HK$'000
COST	
At 1 January 2011	–
Acquired on acquisition of a subsidiary *(note 33)*	4,535
Exchange realignment	186
At 31 December 2011	4,721
Exchange realignment	37
At 31 December 2012	4,758
Exchange realignment	76
At 30 June 2013	4,834

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	Club membership	Total
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 January 2011	–	569	569
Acquired on acquisition of a subsidiary *(note 32)*	4,528	–	4,528
Exchange realignment	175	–	175
At 31 December 2011	4,703	569	5,272
Exchange realignment	37	–	37
At 31 December 2012	4,740	569	5,309
Exchange realignment	76	–	76
30 June 2013	4,816	569	5,385
AMORTISATION			
At 1 January 2011	–	–	–
Charge for the year	866	–	866
Exchange realignment	33	–	33
At 31 December 2011	899	–	899
Charge for the year	1,171	–	1,171
Exchange realignment	4	–	4
At 31 December 2012	2,074	–	2,074
Charge for the period	597	–	597
Exchange realignment	38	–	38
30 June 2013	2,709	–	2,709
CARRYING AMOUNT			
At 31 December 2011	3,804	569	4,373
At 31 December 2012	2,666	569	3,235
At 30 June 2013	2,107	569	2,676

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	Amounts due from/to customers for contract work	Tax losses	Intangible assets acquired in business combination	Fair value adjustments on contracts of comprehensive architectural service	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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**
	HK$'000	*HK$'000*	*HK$'000*
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
	3,788	554	485

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	(761,301)	(848,852)	(892,249)
	(28,203)	(24,137)	12,502
Analysed for reporting purposes as:			
Amounts due from customers for contract work	39,596	77,169	107,435
Amounts due to customers for contract work	(67,799)	(101,306)	(94,933)
	(28,203)	(24,137)	12,502

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	(1,381)	(551)	(551)
	31,513	72,756	54,096

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)	–
At end of the year/period	1,381	551	551

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
	31,513	72,756	54,096

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
	15,250	28,268	24,668

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
	2,530	4,764	4,200

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
	22,284	36,885	25,717

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
	321	1,972	1,736	280	1,764	1,538
Less: Future finance charges	(41)	(208)	(198)	–	–	–
Present value of lease obligations	280	1,764	1,538	280	1,764	1,538
Less: Amounts due for settlement within 12 months (shown under current liabilities)				(160)	(449)	(351)
Amounts due for settlement after 12 months				120	1,315	1,187

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
Issued and paid up share capital	
1 ordinary share of HK$0.01	–

30. RESERVE OF THE COMPANY

	Accumulated loss *HK$'000*	**Total** *HK$'000*
At 13 May 2013 (date of incorporation)	–	–
Loss and total comprehensive expense for the period	(7,081)	(7,081)
At 30 June 2013	(7,081)	(7,081)

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 2011	At 31 December 2012	At 30 June 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
	69,762	105,278	75,672
Financial liabilities			
The Group			
At amortised cost	5,323	14,485	18,377
Obligations under finance leases	280	1,764	1,538
	5,603	16,249	19,915
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 31 December		Six months ended 30 June
	2011	**2012**	**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 [●] 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 [●] 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	1 year to 5 years	Total undiscounted cash flows	Carrying amount at 31December 2011
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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
		5,506	138	5,664	5,603

	Weighted average interest rate	On demand and less than 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount at 31December 2012
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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
		15,021	1,436	16,457	16,249

	Weighted average interest rate	On demand and less than 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount at 30 June 2013
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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
		18,522	1,311	20,133	19,915
The Company					
Non-derivative financial liability					
Amount due to a subsidiary	–	7,081	–	7,081	7,081

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	31 December 2012	30 June 2013		
	HK$'000	*HK$'000*	*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
	HK$'000
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)
Net liabilities assumed	(250)

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:

	HK$'000
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
Goodwill arising on acquisition	4,535

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:

	HK$'000
Cash consideration paid	(4,348)
Less: cash and cash equivalent balances acquired	4,379
	31

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**
	HK$'000	*HK$'000*	*HK$'000*
Profit allocated to non-controlling interest of LWK Yiheng	1,101	1,203	2,788

	As 31 December		**As 30 June**
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Accumulated non-controlling interests			
LWK Yiheng	1,044	2,275	5,071
Individually immaterial subsidiaries	(258)	95	–
	786	2,370	5,071

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 2011	At 31 December 2012	At 30 June 2013
	HK$'000	*HK$'000*	*HK$'000*
Current assets	30,004	47,892	53,497
Non-current assets	10,984	11,080	11,960
Current liabilities	(28,179)	(42,047)	(37,752)
Non-current liabilities	(3,911)	(3,065)	(2,578)
Total equity	8,898	13,860	25,127

	Period from 2 April 2011 to 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2013
	HK$'000	*HK$'000*	*HK$'000*
Revenue	55,153	76,616	39,597
Expenses	(50,751)	(71,806)	(28,446)
Profit for the period/year	4,402	4,810	11,151
Total comprehensive income for the period/year	5,022	4,947	11,267
Dividends paid to non-controlling interests	–	–	–
Net cash inflow (outflow) from operating activities	8,532	(871)	(2,160)
Net cash outflow from investing activities	(682)	(409)	(1,810)
Net cash inflow (outflow)	7,850	(1,280)	(3,970)

(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		
Item that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation		(102)
Total comprehensive expense for the period		(486)

(ii) Statement of financial position at 1 April 2011

	Notes	*HK$'000*
Non-current assets		
Property, plant and equipment	*(e)*	2,162
Current assets		
Amounts due from customers for contract work	*(f)*	1,362
Progress billings receivables from contract customers	*(g)*	4,929
Other receivables		1,163
Bank balances and cash	*(h)*	4,379
		11,833
Current liabilities		
Trade payables	*(i)*	2,938
Accruals and other payables	*(j)*	4,542
Amounts due to customers for contract work	*(f)*	20,443
Income tax payable		15
		27,938
Net current liabilities		(16,105)
Total assets less current liabilities		(13,943)
Net liabilities		(13,943)
Capital and reserves		
Paid-in capital		3,407
Reserves		(17,350)
Deficit in equity		(13,943)

(iii) Statement of changes in equity

	Issued capital *HK$'000*	**Statutory reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2011	3,407	979	(503)	(17,340)	(13,457)
Loss for the period	–	–	–	(384)	(384)
Exchange differences arising on translation	–	–	(102)	–	(102)
Total comprehensive expense for the period	–	–	(102)	(384)	(486)
At 1 April 2011	3,407	979	(605)	(17,724)	(13,943)

(iv) Statement of cash flows

	HK$'000
Operating activities	
Loss before taxation	(384)
Adjustments for:	
Depreciation of property, plant and equipment	88
Allowance for doubtful debts	1,062
Interest income	(4)
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)
Cash generated from operations	54
Income tax paid	(135)
Net cash used in operating activities	(81)
Investing activities	
Purchases of property, plant and equipment	(53)
Interest received	4
Net cash used in investing activities	(49)
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
Cash and cash equivalents at the end of the period	4,379
Represented by:	
Bank balances and cash	4,379

(v) Explanatory notes:

(a) Revenue

Revenue represents the contract revenue for comprehensive architectural service recognised during the Pre-acquisition Period.

(b) Other income

	HK$'000
Interest income	4

(c) Loss before taxation

	HK$'000
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
Total staff costs	2,439

(d) Income tax expense

	HK$'000
The income tax expense comprises:	
Current tax:	
PRC Enterprise Income Tax	–

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 *HK$'000*	**Furniture, fixtures and office equipment** *HK$'000*	**Total** *HK$'000*
COST			
At 1 January 2011	2,705	949	3,654
Additions	–	53	53
Exchange realignment	21	7	8
At 1 April 2011	2,726	1,009	3,735
ACCUMULATED DEPRECIATION			
At 1 January 2011	1,351	124	1,475
Charge for the period	41	47	88
Exchange realignment	8	2	10
At 1 April 2011	1,400	173	1,573
CARRYING VALUES			
At 1 April 2011	1,326	836	2,162

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***

	HK$'000
Costs incurred to date plus recognised profits less recognised losses	10,647
Less: progress billings	(29,728)
	(19,081)
Analysed for reporting purposes as:	
Amounts due from customers for contract work	1,362
Amounts due to customers for contract work	(20,443)
	(19,081)

(g) ***Progress billings receivable from contract customers***

	HK$'000
Gross amount	5,991
Less: Allowance for doubtful debts	(1,062)
	4,929

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:

	HK$'000
Within 30 days	1,065
Over 30 days and within 90 days	2,214
Over 90 days	1,650
	4,929

(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:

	HK$'000
Within 30 days	1,677
Over 90 days	1,261
	2,938

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

	HK$'000
Accrued payroll and bonuses	2,384
Deposits from customers	455
PRC other tax payables	263
Others	1,440
	4,542

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**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	11,554	11,694	[12,635]
In the second to fifth years inclusive	7,082	6,276	[3,816]
Total	18,636	17,970	[16,451]

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 1 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	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and other benefits	7,917	9,720	4,587	10,919
Bonuses *(Note)*	1,200	3,000	1,500	1,500
Retirement benefit scheme contributions	265	272	120	126
	9,382	12,992	6,207	12,545

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$[●].

(III) EVENTS AFTER THE END OF REPORTING PERIOD

— As set out in Note 2 to section 1 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.

— [●]

(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,
[●]
Certified Public Accountants
Hong Kong