思城控股有限公司
C CHENG HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock code: 8320

2013 ANNUAL REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

This report, for which the directors (the "Directors") of C Cheng Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Liang Ronald (Chairman)
Mr. Fu Chin Shing (Chief Executive Officer)
Mr. Wang Jun You
Mr. Lo Kin Nang
Mr. Ng Kwok Fai
Mr. He Xiao

Independent Non-Executive Directors
Mr. Lo Wai Hung
Mr. Wang Julius
Mr. Yu Chi Hang

AUDIT COMMITTEE

Mr. Lo Wai Hung (Chairman)
Mr. Wang Julius
Mr. Yu Chi Hang

REMUNERATION COMMITTEE

Mr. Yu Chi Hang (Chairman)
Mr. Fu Chin Shing
Mr. Lo Wai Hung

NOMINATION COMMITTEE

Mr. Liang Ronald (Chairman)
Mr. Wang Julius
Mr. Yu Chi Hang

AUTHORISED REPRESENTATIVES

Mr. Fu Chin Shing
Ms. Yu Wing Sze

COMPLIANCE OFFICER

Mr. Fu Chin Shing

COMPANY SECRETARY

Ms. Yu Wing Sze HKICPA, ACCA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15th Floor
North Tower World Finance Centre
Harbour City
Tsim Sha Tsui
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISER

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

HONG KONG LEGAL ADVISER

D.S. Cheung & Co., Solicitors
29th Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

CITIC Bank International Limited
232 Des Voeux Road
Central
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China Merchants Bank
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AUDITOR

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

STOCK CODE

8320

COMPANY'S WEBSITE

www.cchengholdings.com

CHAIRMAN'S STATEMENT

2013 was an exciting year for the Group. The successful listing on the GEM Board of the Hong Kong Stock Exchange has elevated the Group into a higher platform of development, which will serve to fuel consistent growth and maximise value for the shareholders.

Dear Shareholders,

On Behalf of the Board of Directors of C Cheng Holdings Limited and its subsidiaries (collectively the "Group"), it is my pleasure to present the first annual report to business partners and shareholders of the Group.

The Group is a multinational architectural practice with around 600 staffs, providing architectural services through the offices in Hong Kong, Shenzhen, Shanghai, Guangzhou, Chengdu and Shenyang. The Group is committed to the pursuit of excellence in architectural design and the improvement of living quality as well as lifestyle.

The Group is the first listed architectural service provider in Hong Kong and the PRC. Also, the Group will work closely with the offices in providing premium design services in the areas of architecture, interior design, landscape architecture, town planning and heritage conservation, in order to keep the spirit of creative design solutions and commitment of providing excellent services to clients of the Group.

For the past 28 years, the Group have worked with numerous clients, including blue chip and red chip developers, for their projects in over 30 major cities in the Asia Pacific region. The Group's achievements have been acknowledged through numerous global and national awards, including the United Nations Global Human Settlements Award – The Best Community of Global Human Settlements, Asia Pacific Residential Property Awards, China Real Estate Association – Top 10 Luxury House in China, the China Civil Engineering Society Zhantianyou Awards – Gold Prize, the Focus China Architects Awards, and BCI Asia Awards Top 10 Architects Hong Kong.

The Group has strengthened its position as one of the leading architectural service providers for a diversified clientele base, with clients from Hong Kong and cities of different tiers in the PRC, and to expand the market share in the architectural service industries in the PRC.

To achieve these objectives, the Group aims to reinforce its multi-centre operations model to increase its productivity and profitability. The Group will enhance its information technology infrastructure, which will help the Group to gather and arrange its experience and knowledge in a systematic manner, which in turn increases its capacity in design information management, resources management, and visualization and presentation technology.

On the other hand, the Group is going to increase its public awareness by carrying out marketing activities. The Group intends to expand its current offices in both first and second-tier cities in the PRC to deliver sustainable returns.

On behalf of the Board, I would like to thank the management teams and staffs for their dedication and contribution to delivering this year's results while continuing to build the growth in the years ahead. Also, I would like to thank all the shareholders and business partners for their continuous support and trust.

Mr. Liang Ronald
Chairman

Hong Kong, 21 March 2014

THE AMETHYST
With a site area of 142,108 sq.m., and a G.F.A. of 438,144 sq.m., the Amethyst is located in Chengfeng Ecological Business zone of Putuo District, Shanghai. The project is positioned to fulfill residential needs of elite consumers, consisting of villas, towers and a clubhouse with classical Landscape design. China Overseas Land & Investment Ltd. is the project developer. (Design Architect: Tony Yau of LWK HK)

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group maintained its market position as one of the leading comprehensive architectural service provider in Hong Kong and the PRC.

During the year, the Group maintained a steady growth of 20.8% in revenue, and secured 125 new contracts with contract sums of approximately HK$555,000,000 in Hong Kong and the PRC. As at 31 December 2013, the Group had remaining contract sums (summation of contract sums of all existing projects multiple (100% minus percentage of completion)) of approximately HK$1,037,000,000. Architecture, contributing 93.6% of the revenue, continued to be our mainstream of practice. In extending the geographical coverage of the service, the Group set foot in Vietnam, Sri Lanka and third-tier cities in the PRC providing consultancy services in residential and hotel developments.

Besides architecture, the service of: (a) landscape architecture; (b) town planning; (c) interior design; and (d) heritage conservation maintained its stable contribution to revenue of the Group. In term of contract sum, these four sectors contribute 8.7% of all the contracts signed and such proportional contribution shows a significant increase of 365.4% during the year. The Directors believe that these sectors will be having significant growth in the years to come.

ARGENTA
Developed by Swire Properties, ARGENTA is situated at No. 63 Seymour Road at Mid-levels West. (Design Architect: AB Concept)

The proven track record and investment in latest technology put the Group in a strong position to take advantage of the business opportunities ahead, and reinforce its leading market position amid the intense competition.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2013 was HK$324,007,000, when compared with that of HK$268,282,000 in 2012, representing an increase of 20.8%. The increase was attributable by the increase of revenue generated by the provision of service of architecture and partially offset by the decrease of revenue generated from the provision of service of landscape architecture, town planning, interior design and heritage conservation.

Cost of services

Cost of services for the year ended 31 December 2013 amounted to HK$231,561,000, when compared with that of HK$209,756,000 in 2012, representing an increase of 10.4%. The increase was driven by the rise in direct labour costs and overhead by HK$24,914,000 as a result of the increase in the number of technical staff employed in 2013. The drop in other taxes and duties of HK$5,020,000 partially offset the increase brought by the direct labour costs and overhead. In late 2012, the PRC started the tax reform

28 BARKER ROAD

28 Barker Road is owned by Hutchison Whampoa Limited, with LWK being commissioned as the Design Architect. With a saleable area of 6,863 sq.ft., House No.8 of this project was sold at a record-breaking price of HKD740 million (No. 16-17 parking spaces included), equivalent to HKD107,825/sq.ft.. House No.8 is one of the most expensive single dwellings in Hong Kong. (Design Architect: Rene V Limbo of LWK HK)

to replace the business tax with value-added tax. Instead of charging the business tax to cost of services as other taxes and duties prior to the tax reform, the value-added tax is taxed directly from the deducted from the revenue and therefore leading to a large decrease in other taxes and duties during the year ended 31 December 2013.

Gross profit and gross profit margin

The gross profit for the year ended 31 December 2013 amounted to HK$92,446,000, when compared with that of HK$58,526,000 in 2012, representing an increase 58.0%. The increase was mainly attributable to improvement of cost efficiency from streamlining the work flow of our projects during the year.

Administrative expenses

Administrative expenses for the year ended 31 December 2013 amounted to HK$57,522,000 (2012: HK$24,639,000), representing an increase of 133.5%. The increase was mainly due to (i) a growth in staff costs by HK$22,673,000 due to increase of the number of key managerial staff and the average salary and discretionary bonus and; (ii) HK$5,210,000 of the equity-settled share-based payment from group restructuring.

Profit for the year

The profit for the year ended 31 December 2013 was HK$11,172,000, as compared to HK$27,228,000 in the previous year.

The major non-recurring expenses which were included in the profit for the year ended 31 December 2013 were (i) listing expenses of HK$16,086,000 and (ii) equity-settled share based payment of HK$5,210,000 arisen from group restructuring.

Excluding the above mentioned non-recurring items, the profit for the year ended 31 December 2013 would have been HK$32,468,000 comparing to HK$27,228,000 for 2012, representing an increase of 19.2% from previous year.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Current assets	**274,469**	183,270
Current liabilities	**193,152**	148,696
Current ratio	**1.42**	1.23

The current ratio of the Group at 31 December 2013 was 1.42 times as compared to that of 1.23 times at 31 December 2012. It was mainly resulted from an increase in the accounts due from customers for contract work with the working progress of the projects during the year.

At 31 December 2013, the Group had total bank balances and cash and pledged bank deposits of approximately HK$58,955,000 (2012: HK$30,798,000). The unutilised bank overdraft is approximately HK$1,269,000 (2012: HK$2,380,000) as at 31 December 2013.

At 31 December 2013, the Group's gearing ratio (represented by amount due to a director, obligations under finance leases and bank overdraft divided by equity) amounted to approximately 4.4% (2012: 3.1%).

The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM of the Stock Exchange on 20 December 2013 (the "Listing Date"). There has been no change in the capital structure of the Group since that date. The capital of the Group only comprises of ordinary shares.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. As at 31 December 2013, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

MATERIAL ACQUISITIONS AND DISPOSALS

Pursuant to the Reorganisation in preparation of the Listing, the Company became the holding company of the Group formed after completion of the Reorganisation. Details of the Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix IV to the Prospectus dated 16 December 2013.

Save as aforesaid, during the year ended 31 December 2013, the Group had no material acquisitions and disposals of subsidiaries.

PLEDGE OF ASSETS

As at 31 December 2013, the Group has pledged short-term bank deposits with an aggregate carrying amount of HK$2,545,000 (2012: HK$1,744,000) to banks to secure bank overdraft granted to the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2013.

COMMITMENTS

The contractual commitments of the Group are primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK$35,741,000 (2012: HK$17,970,000) as at 31 December 2013.

As at 31 December 2013, the Group did not have any significant capital commitments (2012: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group employed around 600 (2012: 500) employees.

Employees are remunerated according to nature of the job, market trend and individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned.

The Group offers competitive remuneration and benefit package to our employees. Our employee benefits include mandatory provident fund, employee pension schemes in the PRC, medical coverage, insurance, training and development programs and options that were granted or may be granted under the pre-IPO share option scheme and share option scheme both of which were approved by the shareholder of the Company on 5 December 2013.

FINAL DIVIDENDS

The Directors do not recommend the payment of the final dividend for the year ended 31 December 2013 (2012: Nil).

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus for the period from 8 December 2013, being the latest practicable date as defined in the Prospectus, to 30 June 2014 (the "Review Period") with the Group's actual business progress up to the date of this annual report is set out below:

Chengdu IFS
With LWK being the Executive Architect, Chengdu IFS is the key project that the Wharf Group developed in Chengdu, PRC. This project covers a site area of 54,900 sq.m.. Since its grand opening on 14 January 2014, Chengdu IFS has become a popular magnet for international top brands and large tenants. And it has kept breaking rental fee records in the Western district of Chengdu. (Retail Design Architect: Benoy Hong Kong Limited and Tower Elevation Design Architect: KPF)

Business objectives for the Review Period	Actual Business Progress up to the date of this annual report
1. To enhance the Group's information technology infrastructure	
• invest resources to build up the design information management platform, cost management system, building information modelling system and three-dimensional ("3D") printing technology	• Data collection for design information management system was in progress • Research & development for photogrammetry, cartographic survey, and 3D imaging was nearly completed. The new consultancy services was targeted to launch in the second quarter of 2014 • Software vendor was contacted for setting up project management system
2. To carry out marketing activities in the PRC	
• organise design forums, seminars or conferences with academic institutions or professional bodies/associations in order to promote the Group's "Go Green" building design idea continuously	• Delegation will be attending the 10th International Conference on Green and Energy Efficient Building & New Technologies and Products Expo in Beijing in late March 2014
• carry out design exhibitions in first tier cities in the PRC	• The Group participated as an exhibitor in Bi-City Biennale of Urbanism\Architecture • LWK & Partners (HK) Limited was appointed as a curator for Venice Biennale International Architecture Exhibition 2014. Selection of media partner in PRC was in progress • LWK & Partners (HK) Limited was registered to exhibit in IAAPA Asian Attraction Expo 2014 to be opened in Beijing in June 2014
3. To expand the Group's offices and teams	
• set up offices for the operations of landscape architecture, town planning and interior design to cater for our potential growth of these three practice areas	• Hong Kong office was expanded for the operations of landscape architecture, town planning and interior design
• expand and transform the current offices in first tier cities in the PRC to regional offices	• Establishment of a new company to launch the new consultancy services of photogrammetry, cartographic survey and 3D imaging was in progress • Guangzhou office was expanded with office safe and facilities • Chengdu office was enhanced

USE OF PROCEEDS

The net proceeds from the placing were approximately HK$14,900,000, which was based on the final placing price of HK$0.83 per share and the actual expenses related to the Listing. Accordingly, we adjust the use of proceeds in the same manner and proportion as shown in the Prospectus:– i) approximately HK$4,600,000 for the enhancement of the Group's information technology infrastructure, ii) approximately HK$1,900,000 for carrying out marketing activities in the PRC, and iii) approximately HK$8,400,000 for the expansion of the Group's offices and teams respectively. As at the date of this report, we do not anticipate any change to the plan as to use of proceeds. During the Review Period, there was no usage made out of the net proceeds from the Listing. The unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong in accordance with the intention of the Directors as disclosed in the Prospectus.

UPDATES ON THE GROUP'S NON-COMPLIANCES WITH SECTION 122 OF THE COMPANIES ORDINANCE

Please refer to the sub-section headed "Regulatory Compliance" under the section headed "Business" of the Prospectus for details of the non-compliances by two of the Company's indirect wholly-owned subsidiaries, namely LWK Conservation Limited ("LWK Conservation") and LWK & Partners (HK) Limited ("LWK Hong Kong").

LWK Conservation

On 24 September 2013, the directors of LWK Conservation have applied to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "Court") to seek time extension for LWK Conservation to lay its audited financial statements in the years of non-compliances with section 122 of the Companies Ordinance before its general meetings (the "LWK Conservation Time Extension"). On 18 December 2013, an order was made by the Court granting the LWK Conservation Time Extension and the requirements under section 122 of the Companies Ordinance were substituted by the laying of the relevant audited financial statements before the extraordinary general meeting of LWK Conservation held on 5 September 2013.

LWK Hong Kong

On 17 July 2013, the directors of LWK Hong Kong have applied to the Court to seek time extension for LWK Hong Kong to lay its audited financial statements in the years of non-compliances with section 122 of the Companies Ordinance before its general meetings (the "LWKHK Application"). At the hearing on 26 February 2014, the Court refused the LWKHK Application for the following main reasons:

1. the Court has received a huge number of similar applications seeking time extensions under sections 111 and 122 of the Companies Ordinance and these applications were unnecessary and were waste of the Court's time and resources, the Court would be refusing the present application and giving a decision to send a message to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the parties concerned that applications of this sort should stop;

2. the breaches in the LWKHK Application were highly academic and technical, artificial and minor in nature; and

3. the order sought was a discretionary remedy, the applicants should not assume that an order would be granted even if the requirements set out in the case authorities were satisfied. In the LWKHK Application, the Company went listed on the Stock Exchange in December 2013 and whether the Court should approve or refuse the LWKHK Application would have no impact on the listing of the Company, it was not one which justified the discretion to be exercised.

Given the above and the reasons set forth in the Prospectus, in particular that prosecution for the said non-compliances is time-barred under section 351A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Directors are of the view that the refusal of the LWKHK Application should not bring about any adverse impact on the Company's listing status or its financial position. Furthermore, the Company has adopted actions to ensure future compliance and details of which have been disclosed in the Prospectus.

PROSPECTS

The Group is a versatile, multi-skilled practice that values originality of thought. The Directors believe that good design is an intelligent response to every challenge. The solutions the Group provides are unique and appropriate, unconstrained by a distinct aesthetic style. This is because the Group pays close attention to and actively work together with its clients.

Residence Nine

Situated in Bao'an District of Shenzhen, the project is only 5 minutes away from Qianhai, 10 minutes away from Shenzhen Airport and 20 minutes from Futian Central District. It takes up 151,787 sq.m. of site area and 182,100 sq.m. of G.F.A.. The British classical characteristics are intricately realized through modern interpretations. An elegant leisure space is thus created for every resident to relax and enjoy. Towering minaret and pediment, hanging octagonal bay windows and large chimneys are combined to contour a classical and royal feel of 19th-century.

The ground floor is set with basement entrances and fire access, while the underground is equipped with NTU basement systems, enabling an efficient traffic circulation. Triple layers of courtyards are set on dimensional sub-stations, perfectly adapted to the natural formation of mountains. (Design Architect: Tony Yau of LWK HK)

The Directors believe that the Group's accumulated experience, gathered in both design and project execution, is invaluable. Also, the effective application of experience and knowledge in the Group's multi-centre operations model will enhance its market position and ensure its growth remains sustainable.

Expansion of current offices in the PRC is a necessity due to increase in project volume in the PRC market. In this financial year, the Group is going to expand its current offices in the first-tier cities in the PRC. The Group is also in the process establishing new offices in the Southeast Asian region. These new establishments will provide design and technical supports which can lower the operating cost, increase market penetration and gain access to an alternative market for professional partnerships.

The Group has carried out and will continue to carry out more marketing activities in Hong Kong and the PRC in order to increase its public awareness. The marketing activities to be carried out include conference, exhibition, sponsorship, and design competition. The Group will organise design forums and seminars with academic institutions and professional bodies. It will also carry out promotions through various media platforms.

Enhancement of the information technology infrastructure will help the Group gather and arrange its experience and knowledge in a systematic manner. This will increase the Group's capacity in design information management, resources management, and visualisation technology. The Group is now investing resources to build up the design information management platform with 3D printing technology and, cost management system, such advancement will be carried out within this financial year.

The Directors believe that the above strategies could help the Group to increase the capacity to undertake new clientele and for new business development. Taking the PRC and Hong Kong markets as a foundation, the Group has attached great importance to expanding its business to overseas markets stage by stage, in order to strengthen the network and increase its participation in the overseas market to strive for greater accomplishments.

KADOORIE HILL
Located at No. 211, Prince Edward West, Kadoorie Hill is developed by Wheelock Properties. LWK is commissioned to be the Design Architect. Located near the Kadoorie Hill, a traditional luxury residential district in Kowloon, this project was completed at the end of 2013. (Design Architect: William Cheung of LWK HK.)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liang Ronald (梁鵬程), aged 64, was appointed a Director on 13 May 2013 and redesignated as the chairman of the Group and an executive Director on 5 December 2013. Mr. Liang is a founder of the Group and is responsible for the overall corporate development of the Group, managing relationships with clients and exploring new business opportunities. Mr. Liang graduated from the school of architecture of the South Australian Institute of Technology, Adelaide, Australia with a diploma in technology (architecture) in 1975.

Mr. Liang has over 30 years of experience in the architectural service industry with over 25 years of experience in Hong Kong. Prior to the establishment of Liang Wong Kou & Partners HK in 1985, Mr. Liang developed his career in architectural practices in Australia. Mr. Liang has also gained project experience from numerous projects in Hong Kong, the PRC, Macau and South Korea. In terms of community service, Mr. Liang is currently an executive committee member of the Association of Architectural Practices in Hong Kong.

Mr. Liang has been a registered architect in the state of New South Wales since 1980, an authorised person under the Buildings Ordinance of Hong Kong since 1984, a registered architect in Hong Kong since 1991, and a holder of class 1 registered architect qualification in the PRC since 2004. He also holds memberships in the following institutes:

- the Australian Institute of Architects since 1977;
- the Royal Institute of British Architects since 1981; and
- the HKIA since 1989.

Mr. Fu Chin Shing (符展成), aged 47, is the compliance officer of the Company and was appointed as the chief executive officer of the Group and an executive Director on 5 December 2013. He joined the Group in 1991 and was promoted to the rank of director in 1998. He is primarily responsible for overseeing the overall operations and strategic planning of the Group, managing relationships with clients and exploring new business opportunities. He graduated from the University of Hong Kong with a bachelor's degree of arts in architectural studies in 1988 and a bachelor's degree in architecture in 1991.

Mr. Fu has over 22 years of experience in the architectural service industry in Hong Kong and the PRC.

He has been an authorised person under the Buildings Ordinance of Hong Kong and a registered architect in Hong Kong since 1993. He holds professional membership in the HKIA since 1992. He is also a class 1 registered architect in the PRC.

Mr. Wang Jun You (王君友), aged 49, was appointed as an executive Director on 5 December 2013. Mr. Wang joined the Group with the rank of director in 2011. Mr. Wang is primarily responsible for strategic planning and overseeing the operations in the PRC, managing relationships with clients and exploring new business opportunities. He graduated from Tsinghua University with a master's degree in architecture in 1989.

Mr. Wang has over 25 years of experience in the architectural service industry in the PRC. He has obtained a class 1 registered architect in the PRC since 2001. Prior to joining the Group, Mr. Wang has gained managerial experience in architectural companies in the PRC. He has been involved in residential projects in the PRC. Mr. Wang is the spouse of Ms. Li Min, a member of senior management of the Group.

Mr. Lo Kin Nang (盧建能), aged 44, was appointed as an executive Director on 5 December 2013. He joined the Group in 1997 and was promoted to the rank of director in 2010. He is responsible for strategic planning, corporate development and overseeing the operations in Hong Kong. He graduated from the University of New South Wales in Australia with a bachelor's degree in architecture in 1996.

Mr. Lo has over 15 years of experience in the architectural service industry mainly in Hong Kong by being involved in projects in Hong Kong and the PRC. He served as an evaluation expert member of the Shenzhen Construction Bureau (深圳市住房和建設局建設工程評標專家庫專家成員) in 2012.

Mr. Lo has been a registered architect in Hong Kong since 2001 and a BEAM Pro since 2011. He holds professional membership in the HKIA since 2001. He is also a class 1 registered architect in the PRC.

Mr. Ng Kwok Fai (吳國輝), aged 43, was appointed as an executive Director on 5 December 2013. He initially joined the Group in 1996 and later rejoined in 2004. He was promoted to the rank of director in 2010 and is responsible for overseeing the operations in Hong Kong. He graduated from the University of Hong Kong with a bachelor's degree in arts (architectural studies) in 1992 and a master's degree in architecture in 1995.

Mr. Ng has over 16 years of experience in the architectural service industry in Hong Kong. He was involved in the Group's projects in Hong Kong and the PRC.

Mr. Ng has been a registered architect in Hong Kong since 1998 and an authorised person under the Buildings Ordinance of Hong Kong since 1999. He holds professional membership in the HKIA since 1998. He is also a class 1 registered architect in the PRC.

Mr. He Xiao (何曉), aged 46, was appointed as an executive Director on 5 December 2013. He joined the Group with the rank of director in 2007 and is responsible for overseeing the operations in the PRC. He graduated from Huazhong University of Science & Technology (華中科技大學) in 1988 with a bachelor's degree in architecture.

Mr. He has over 9 years of experience in the architectural service industry. He has gained project experience by being involved in architectural design, urban and landscape design projects in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Wai Hung (盧偉雄), aged 54, was appointed as an independent non-executive Director on 5 December 2013. He graduated from James Cook University of North Queensland with a bachelor's degree in commerce in 1985. He is an associate member of the Institute of Chartered Accountants in Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lo is an independent non-executive director of Shandong Weigao Group Medical Polymer Company Limited (stock code: 1066) and Talent Property Group Limited (stock code: 760), the shares of both companies are listed on the Stock Exchange and an independent director of China Merchant Property Development Co. Ltd. (stock code: 000024), the shares of which are listed on the Shenzhen Stock Exchange.

Mr. Wang Julius (王哲身), aged 52, was appointed as an independent non-executive Director on 5 December 2013. He received his undergraduate studies in economics at the University of New Hampshire and a master's degree in business administration from Harvard Business School in 1991. Mr. Wang has experience in the investment management industry. He is currently a managing director of Samena Asia Managers Limited. Mr. Wang was previously a managing director of China Apollo Holdings Limited (stock code: 512) between July 1997 and December 1998 and a non-executive director of Symphony Holdings Limited (stock code: 1223) between June 2001 and September 2001, the shares of both companies are listed on the Stock Exchange.

Mr. Yu Chi Hang (alias, Yue Chi Hang) (余熾鏗), aged 64, was appointed as an independent non-executive Director on 5 December 2013. He graduated from the University of Hong Kong with a bachelor's degree in architectural studies in 1972 and a bachelor's degree in architecture in November 1974. He also holds professional membership in the HKIA since 1976. Mr. Yu has over 32 years of service with the Hong Kong government. He joined the Hong Kong government as graduate architect in 1976 and was promoted to chief architect in February 1988. He was appointed as the deputy director of the Architectural Services Department in July 1998. He took up the position of director of the Architectural Services Department in November 2002 and retired in July 2009. Mr. Yu received the Silver Bauhinia Star award from the Hong Kong government in 2009 and was previously an official Justice of the Peace.

SENIOR MANAGEMENT

Mr. Chan Pak Yuen (陳柏源), aged 36, is the director of architecture. He is responsible for the operations in Shenzhen. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in architectural studies and a master's degree in architecture in December 1999 and December 2002, respectively. He joined the Group in July 2002 as an architectural assistant and was promoted to the rank of director in April 2012. Mr. Chan has been a registered architect in Hong Kong and has held professional membership in the HKIA since 2006.

Mr. Chan Chui Man (陳聚文), aged 38, is the director of architecture. He is responsible for assisting the executive Directors in overseeing the operations in Hong Kong. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in architectural studies and a master's degree in architecture in December 1997 and November 2000, respectively. He joined the Group in June 2000 as an architectural assistant and was promoted to the rank of director in Jan 2014. Mr. Chan has been a registered architect in Hong Kong since 2003, a LEED AP of US Green Building Council since 2009 and a BEAM Pro since 2011. He has held professional membership in the HKIA since 2003.

Mr. Ma Kwai Lam Lambert (馬桂霖), aged 45, is the director of architecture. He is responsible for assisting the executive Directors in overseeing the operations in Hong Kong. Mr. Ma graduated from Virginia Polytechnic Institute and State University, USA with a bachelor's degree in architecture in 1995. He joined the Group in July 2009 and was promoted to the rank of director in Jan 2014. Mr. Ma started his career at Ma & Fong & Associates Limited in 1995 and later joined Liang Peddle Thorp Architects and Planners Limited as an architectural assistant in 1998. He then served as a senior project designer at Leigh & Orange Ltd. between 2005 and 2009. Mr. Ma has held professional membership in the HKIA since 2011 and has been a registered architect in Hong Kong since 2012.

Ms. Yu Wing Sze (余詠詩), aged 37, is the company secretary and authorised representative of the Company and chief financial officer of the Group. She is responsible for overseeing the overall financial management of the Group. Ms. Yu graduated from the University of Hong Kong with a bachelor's degree in accounting and finance in December 1998. She joined the Group and served as finance and accounting director of LWK (Hong Kong) in August 2011. She has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since 2003. She was admitted as a member and a fellow of the Association of Chartered Certified Accountants in November 2001 and December 2006, respectively. Ms. Yu has over 15 years of accounting and auditing experience accumulated for working for international accounting firm and a main board listed company in Hong Kong.

Mr. Lai Wing Chau Niki (黎永宙), aged 41, is the director of landscape. He is responsible for the operations of the landscape department. Mr. Lai graduated from the California State Polytechnic University with a bachelor's degree in landscape architecture in December 1997. He first joined the Group as a project director between September 2007 and November 2008 and then returned to the Group in January 2011 and has held the current position since then. Mr. Lai worked at Team 73 HK Limited as a landscape architect between December 1997 and May 1998. He then worked for several companies managing landscape projects before serving at ERM-Hong Kong, Limited as a senior landscape designer between December 2008 and December 2010. Mr. Lai has been a member of the Hong Kong Institute of Landscape Architects since 2002.

Ms. Li Min (李敏), aged 49, is the chief financial officer of LWK Yiheng and LWK Shenzhen. She is responsible for the finance, administration and human resources management for the operations in the PRC. Ms. Li graduated from the Liaoning University (遼寧大學) with a bachelor's degree in biology in July 1988. Before joining the Group in 2011, Ms. Li served as chief financial officer and deputy general manager in the Shenzhen branch of United Architects & Engineers Co., Ltd (北京中聯環建文建築設計有限公司) between December 2008 and January 2011. She was an engineer at Shenzhen General Institute of Architectural Design and Research Co., Ltd. (深圳市建築設計研究總院有限公司) between July 1993 and December 2008. Ms. Li was accredited as an engineer (工程師) by the Title Management Office of Shenzhen City (Second Evaluation Committee of Engineer Qualification of Construction Engineering) (深圳市職稱管理辦公室(深圳市建築工程技術工程師資格第二評審委員會)) in November 1999. Ms. Li is the spouse of Mr. Wang, an executive Director and a significant Shareholder of the Group.

Ms. Zhang Li Juan (張麗娟), aged 49, is the operations and contract manager (經營合約部經理) in the PRC. She is responsible for the operations and contract management for the projects in the PRC. Ms. Zhang graduated from Chongqing Professional Construction College (重慶建築專科學校) with a professional certificate in management in construction engineering (建築工程管理專業) in July 1988. Before joining the Group in May 2011, Ms. Zhang served as a manager in the costs department (成本部經理) at Shenzhen Meijiangnan Real Estate Development Co., Ltd. (深圳市梅江南投資發展有限公司) between January 2006 and April 2011. Between September 2000 and December 2005, she worked in Shenzhen Supreme Engineering Co., Ltd (深圳市超卓工程有限公司) as an operation manager (經營部經理). She was accredited as an engineer (工程師) by the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in March 1998.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report for the year ended 31 December 2013.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making; (ii) the improvement in transparency and disclosure of information to shareholders; (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders; and (iv) the improvement in management of risk and the enhancement of performance by the Group. The Company will continue to monitor and review its corporate governance practices to ensure compliance with the regulatory requirements and to meet the expectations of the shareholders and investors.

Throughout the period from the Listing Date to the date of this report, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules (the "**Code**").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all of them have complied with the required standard of dealings regarding securities transactions throughout the period from the Listing Date to the date of this report and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

BOARD OF DIRECTORS

The Board is entrusted with the overall responsibility for promoting the success of the Company by directing and supervising the Company's business and affairs. The ultimate responsibility for the day to day management of the Company is delegated to the chairman, chief executive officer and the senior management of the Company. In practice, the Board takes responsibilities for decision making in all major matters of the Company. The day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management. Approval has to be obtained from the Board prior to any significant transactions entered into by the Group and the Board has the full support of them to discharge its responsibilities.

As at the date of this report, the Board comprises nine Directors, including six executive Directors and three independent non-executive Directors. The composition of the Board is set out as follows:

Executive Directors

Mr. Liang Ronald (Chairman)
Mr. Fu Chin Shing (Chief Executive Officer)
Mr. Wang Jun You
Mr. Lo Kin Nang
Mr. Ng Kwok Fai
Mr. He Xiao

Independent Non-Executive Directors

Mr. Lo Wai Hung
Mr. Wang Julius
Mr. Yu Chi Hang

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals.

The Chairman of the Board is Mr. Liang Ronald, who provides leadership for the Board and ensures its effectiveness in all aspects. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at the Board meetings.

The Chief Executive Officer is Mr. Fu Chin Shing, who is in charge of the Company's day-to-day management and operations and focuses on implementing objectives, policies and strategies approved and delegated by the Board.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "**Articles**") provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each Independent non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his independence and must provide an annual confirmation of his independency to the Company.

PROFESSIONAL DEVELOPMENT

Every Director keeps abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Directors are aware of the requirement under the code provision A.6.5 of the Code regarding continuous professional development. During the year, the Company had arranged a training session to all Directors in regards to director's duty which was conducted by an external professional firm. In addition, the Directors also reviewed the reading materials related to corporate governance and regulations that provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments.

BOARD COMMITTEES

The Board has established three committees, namely audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**"), to oversee particular aspects of the Company's affairs. Their respective terms of reference are set out in the Company's website.

Audit Committee

The Company has established the Audit Committee on 5 December 2013 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C3.3 and D3.1 of the Corporate Governance Code. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the consolidated financial statements and the quarterly, interim and annual reports of the Group, reviewing the terms of engagement and scope of audit work of the external auditors, and performing the corporate governance function.

The composition of the Audit Committee is as follows:

Mr. Lo Wai Hung (Chairman)
Mr. Wang Julius
Mr. Yu Chi Hang

The members of the Audit Committee possess diversified industry experience and the chairman of the Audit Committee has appropriate professional qualifications and experience in accounting matters.

The Audit Committee has reviewed with the management of the Group the financial and accounting policies and practices adopted by the Group, its internal controls and financial reporting matters and the above audited annual results of the Group for the year ended 31 December 2013.

Remuneration Committee

The Company has established the Remuneration Committee on 5 December 2013 with terms of reference in compliance with paragraph B.1.1 of the Code. The primary duties of the Remuneration Committee include, among other things, formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of independent non-executive directors.

The composition of the Remuneration Committee is as follows:

Mr. Yu Chi Hang (Chairman)
Mr. Fu Chin Shing
Mr. Lo Wai Hung

Nomination Committee

The Company has established the Nomination Committee on 5 December 2013 with terms of reference in compliance with paragraph A.5.2 of the Code. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying and nomination of directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the Nomination Committee is as follows:

Mr. Liang Ronald (Chairman)
Mr. Wang Julius
Mr. Yu Chi Hang

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance in compliance with paragraph A.5.6 of the Code.

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations. Qualified candidates will then be recommended to the Board for approval.

Attendance Records of Meetings

The Board is scheduled to meet regularly at least four times a year, and Directors will receive at least 14 days prior written notice of such meetings in compliance with paragraph A.1.1 of the Code. Agendas and accompanying papers are sent not less than 3 days before the date of Board meetings to ensure that the Directors are given sufficient time to review the same.

Since the Directors were appointed on 5 December 2013 and the Company was listed on 20 December 2013, there was only one board meeting held for the year ended 31 December 2013 with the presence of all of the directors. There was neither audit, nomination nor remuneration committee meeting held during the reporting period due to such a short period of time of formation of the Board and committees.

Accountability and Audit

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Internal Control and Risk Management

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

The Board has reviewed the effectiveness of the Group's material internal controls. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

Auditors' Remuneration

During the year ended 31 December 2013, the remuneration paid and payable to the Company's auditors is set out as follows:

Services rendered	**Fees paid/ payable** (HK$'000)
Audit services	950
Non-audit services – as reporting accountant for the Company's placing	
– as reporting accountant for the Company's placing	3,350
– internal control review	300
– tax compliance	115
	4,715

Company Secretary

Ms. Yu Wing Sze was appointed as the company secretary of the Company on 5 December 2013. Mr. Yu has been a certified public accountant of the Hong Kong Institute of Certificate Public Accountants since 2003. She was admitted as a member and a fellow of the Association of Chartered Certified Accountants in November 2001 and December 2006, respectively.

For the year ended 31 December 2013, Ms. Yu has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

Shareholder's rights

The general meetings of the company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

Right to convene extraordinary general meeting

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business in Hong Kong at 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionist(s).

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request which has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

(a) At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

(b) At least 21 clear days' notice in writing (and not less than 10 business days) if calling for the proposal constitutes a special resolution of the Company in EGM;

(c) At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting of the Company.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to daphneyu@cchengholdings.com for the attention of the company secretary.

Right to put forward proposals at general meetings

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Company Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 85 of the Articles, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Role 17.50(2) of the GEM Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company 's website.

Investor relations

The Board recognizes the importance of good communications with all shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company has established a range of communication channels between itself and its shareholders, investors, and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.cchengholdings.com.

From the Listing Date to the year ended 31 December 2013, there had been no significant change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors present their first report and the audited consolidated financial statements for the year ended 31 December 2013.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 13 May 2013.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the GEM of the Stock Exchange of Hong Kong Limited, the Company became the holding company of the companies now comprising the Group on 5 December 2013.

Details of the reorganisation are set out in Note 2 to the consolidated financial statements.

The shares of the Company were listed on the GEM of the Stock Exchange of Hong Kong Limited with effect from 20 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income statement on page 40.

The board of Directors of the Company (the "Board") does not recommend the payment of any final dividend for the year ended 31 December 2013 (2012: Nil) and propose that the profit for the year be retained.

During the year 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.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the three financial years is set out on page 90 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 29 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 43 to 44 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, is approximately 67,041,000.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2013, the aggregate revenue attributable to the Group's five largest clients represented approximately 37.1% of the Group's total revenue. The revenue attributable to the Group's largest client represented approximately 8.6% of the Group's total revenue for the same period.

For the year ended 31 December 2013, the aggregate sub-consultancy fee paid to the Group's five largest suppliers represented approximately 29.7% of the Group's total costs of services. The sub-consultancy fee to the Group's largest supplier represented approximately 8.4% of the Group's total costs for the same period.

None of the Directors nor any of their associates nor any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest clients and/or five largest suppliers during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Liang Ronald (Chairman)	(appointed on 13 May 2013)
Mr. Fu Chin Shing (Chief Executive Officer)	(appointed on 5 December 2013)
Mr. Wang Jun You	(appointed on 5 December 2013)
Mr. Lo Kin Nang	(appointed on 5 December 2013
Mr. Ng Kwok Fai	(appointed on 5 December 2013)
Mr. He Xiao	(appointed on 5 December 2013)

Independent non-executive directors

Mr. Lo Wai Hung	(appointed on 5 December 2013)
Mr. Wang Julius	(appointed on 5 December 2013)
Mr. Yu Chi Hang	(appointed on 5 December 2013)

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

In accordance with the provisions of the Company's Articles of Association, Mr. Liang Ronald, Mr. Wang Jun You, and Mr. Yu Chi Hang retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of executive Director has entered into a service agreement with the Company for a period of three years commencing from the Listing Date and will continue thereafter until termination in accordance with the terms of the agreement.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, subject to retirement by rotation and re-election at annual general meeting and until terminated by not less than one months' notice in writing served by either party on the other.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each of its independent non-executive Director in respect of their independence in accordance with the requirements of the Role 5.09 of the GEM Listing Rules and all independent non-executive Directors are considered to be independent.

DIRECTORS' AND CHIEF EXECUTIVES INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES

At 31 December 2013, the interests and short positions of the Directors and the chief executive and their associates in the shares and share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(1) Long positions

Name of Director	Company/name of associated company	Nature of interest	Number of shares held	Approximate of percentage of shareholding
Liang Ronald	The Company	Interest in a controlled corporation	83,068,000	46.15%
	The Company	Beneficial interest	800,000[Note 1]	0.44%
Fu Chin Shing	The Company	Interest in a controlled corporation	36,632,000	20.35%
	The Company	Beneficial interest	800,000[Note 1]	0.44%
Wang Jun You	The Company	Interest in a controlled corporation	15,300,000	8.5%
	The Company	Beneficial interest	800,000[Note 1]	0.44%
	The Company	Interest of spouse	100,000[Note 2]	0.06%
	LWK Yiheng	Equity interest	–	1.00%
Lo Kin Nang	The Company	Beneficial interest	800,000[Note 1]	0.44%
Ng Kwok Fai	The Company	Beneficial interest	800,000[Note 1]	0.44%
He Xiao	The Company	Beneficial interest	800,000[Note 1]	0.44%

Note: (1) These represent the shares to be issued and alloted by the Company upon exercise of the options granted under the pre-IPO share option scheme.

(2) Mr. Wang Jun You, being spouse of Ms. Li Min, is deemed to be interested in 100,000 shares held by Ms. Li under the SFO.

(2) Short positions

At 31 December 2013, none of the directors or the chief executive nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme and pre-IPO share option scheme are set out in Note 37 to the consolidated financial statements.

The Share Option Schemes have been adopted to provide incentive or reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest. No share options have been granted pursuant to the Share Option Scheme during the year.

The following table discloses movements in the Company's pre-IPO share options during the year:

Category of grantees	Outstanding at beginning of year	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding during the year
Executive Directors	–	4,800,000	–	–	–	4,800,000
Senior management	–	1,200,000	–	–	–	1,200,000
Other employees	–	6,525,000	–	–	–	6,525,000
	–	12,525,000	–	–	–	12,525,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holdings company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPLIANCE OF NON-COMPETITION UNDERTAKING

On 5 December 2013, Liang Ronald, the Controlling Shareholders, have given an irrevocable non-compete undertaking (the "**Non-competition Undertaking**") in favor of the Group pursuant to which each of them irrevocably, unconditionally, jointly and severally, among other matters, not to, directly or indirectly, carry on, invest in or be engaged in any business which would or might compete with the business of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2013 and up to the date of this report, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As at 31 December 2013, as notified by the Company's compliance adviser, China Everbright Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 16 December 2013, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

MANAGEMENT CONTRACT

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2013, no person other than the Directors or chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Long positions in the shares of the Company:

Name of Shareholder	Name of the company in which interest is held	Capacity	Total number of ordinary shares	Long/short position	Percentage of total issued share capital in the Company
Rainbow Path International Limited	The Company	Beneficial owner (Note 1)	75,868,000	Long	42.15%
Veteran Ventures Limited	The Company	Beneficial owner (Note 1)	7,200,000	Long	4.00%
Vivid Colour Limited	The Company	Beneficial owner (Note 2)	36,632,000	Long	20.35%
Jun Ming Investments Limited	The Company	Beneficial owner (Note 3)	15,300,000	Long	8.5%
Liang Sharon	The Company	Interest of spouse (Note 4)	83,868,000	Long	46.59%
Chung Wai Chi, Connie	The Company	Interest of spouse (Note 5)	37,432,000	Long	20.79%
Li Min	The Company	Interest of spouse (Note 6)	16,100,000	Long	8.94%
	The Company	Beneficial owner (Note 7)	100,000	Long	0.06%

Notes:

1. Rainbow Path International Limited and Veteran Ventures Limited are 100% owned by Liang Ronald.

2. Vivid Colour Limited is 100% owned by Fu Chin Shing.

3. Jun Ming Investments Limited is 100% owned by Wang Jun You.

4. Ms. Liang Sharon, being spouse of Mr. Liang Ronald, is deemed to be interested in the 83,868,000 shares held by Mr. Liang under the SFO.

5. Ms. Chung Wai Chi, Connie, being spouse of Mr. Fu Chin Shing, is deemed to be interested in the 37,432,000 shares held by Mr. Fu under the SFO.

6. Ms. Li Min, being spouse of Mr. Wang Jun You, is deemed to be interested in the 16,100,000 shares held by Mr. Wang under the SFO.

7. It represents the shares to be issued and alloted by the Company upon exercise of the options granted under the pre-IPO share option scheme.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors are independent.

CONNECTED AND RELATED PARTY TRANSACTIONS

The Company had not entered into any connected transaction during the year which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2013 are disclosed in Note 35 to the consolidated financial statements. The related party transactions set out in Note 35 to the consolidated financial statements did not constitute connected transactions under the GEM Listing Rules.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in Note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2013.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$189,000.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event occurring after the reporting period.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Liang Ronald
CHAIRMAN

21 March 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF C CHENG HOLDINGS LIMITED
思城控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of C Cheng Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 89, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	6	**324,007**	268,282
Cost of services		**(231,561)**	(209,756)
Gross profit		**92,446**	58,526
Other income	7	**840**	351
Other gains and losses	8	**1,152**	721
Administrative expenses		**(57,522)**	(24,639)
Listing expenses		**(16,086)**	–
Finance costs	9	**(143)**	(64)
Profit before taxation	10	**20,687**	34,895
Income tax expense	12	**(9,515)**	(7,667)
Profit for the year		**11,172**	27,228
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation		**1,284**	371
Net fair value gain arising on available-for-sale financial assets		**–**	34
Reclassification adjustment upon disposal of available-for-sale financial assets		**–**	(288)
Other comprehensive income for the year		**1,284**	117
Total comprehensive income for the year		**12,456**	27,345
Profit for the year attributable to:			
Owners of the Company		**8,978**	25,355
Non-controlling interests		**2,194**	1,873
		11,172	27,228
Total comprehensive income for the year attributable to:			
Owners of the Company		**10,165**	25,434
Non-controlling interests		**2,291**	1,911
		12,456	27,345
Earnings per share (expressed in HK cents)	13		
Basic		**6.6**	18.8
Diluted		**6.6**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	13,561	15,169
Goodwill	16	4,899	4,758
Intangible assets	17	2,094	3,235
Rental and utility deposits	18	4,106	3,251
Deferred tax assets	19	12	620
		24,672	27,033
Current assets			
Held for trading investments	20	521	554
Amounts due from customers for contract work	21	126,616	77,169
Progress billings receivable from contract customers	22	78,813	72,756
Prepayments and other receivables	18	9,564	1,993
Pledged bank deposits	23	2,545	1,744
Bank balances and cash	23	56,410	29,054
		274,469	183,270
Current liabilities			
Trade payables	24	6,019	4,764
Accruals and other payables	25	64,777	36,885
Amounts due to customers for contract work	21	112,584	101,306
Amount due to a director	26	2,030	–
Obligations under finance leases	27	323	449
Income tax payable		6,308	5,292
Bank overdraft	28	1,111	–
		193,152	148,696
Net current assets		81,317	34,574
Total assets less current liabilities		105,989	61,607

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Obligations under finance leases	27	**1,022**	1,315
Deferred tax liabilities	19	**3,237**	3,680
		4,259	4,995
Net assets		**101,730**	56,612
Capital and reserves			
Issued capital	29	**1,800**	1,020
Reserves		**99,777**	53,222
Equity attributable to owners of the Company		**101,577**	54,242
Non-controlling interests		**153**	2,370
Total equity		**101,730**	56,612

The consolidated financial statements on pages 40 to 89 were approved and authorised for issue by the board of directors on 21 March 2014 and are signed on its behalf by:

Mr. Liang Ronald
DIRECTOR

Mr. Fu Chin Shing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company										
	Issued capital HK$'000	**Share premium** HK$'000	**Investment revaluation reserve** HK$'000	**Statutory reserve** HK$'000 (Note a)	**Share option reserve** HK$'000	**Other reserve** HK$'000	**Exchange reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2012	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 Design (Macau) Limited ("LWK Macau")	20	–	–	–	–	–	–	–	20	9	29
Dividends recognised as distribution (Note 14)	–	–	–	–	–	–	–	(4,893)	(4,893)	–	(4,893)
Acquisition of additional interest in LWK Conservation Limited ("LWK Conservation") (Note b)	–	–	–	–	–	336	–	–	336	(336)	–
At 31 December 2012	1,020	–	–	2,165	–	336	6,733	43,988	54,242	2,370	56,612
Profit for the year	–	–	–	–	–	–	–	8,978	8,978	2,194	11,172
Exchange differences arising on translation	–	–	–	–	–	–	1,187	–	1,187	97	1,284
Total comprehensive income for the year	–	–	–	–	–	–	1,187	8,978	10,165	2,291	12,456
Transfer to statutory reserve	–	–	–	661	–	–	–	(661)	–	–	–
Acquisition of LWK Macau (Note c)	(20)	–	–	–	–	94	–	–	74	(103)	(29)
Acquisition of additional interest in 深圳市梁黃顧藝恒建築有限公司 ("LWK Yiheng") (Note d)	–	–	–	–	–	809	–	–	809	(4,405)	(3,596)
Recognition of equity-settled share-based payments (Note e)	–	–	–	–	114	5,210	–	–	5,324	–	5,324
Effect of Share Swap pursuant to the group reorganisation (Note 29)	(620)	54,139	–	–	–	(53,519)	–	–	–	–	–
Issue of share (Note 29)	450	36,900	–	–	–	–	–	–	37,350	–	37,350
Captalisation issue (Note 29)	970	(970)	–	–	–	–	–	–	–	–	–
Expenses incurred in connection with the issue of shares	–	(6,387)	–	–	–	–	–	–	(6,387)	–	(6,387)
At 31 December 2013	1,800	83,682	–	2,826	114	(47,070)	7,920	52,305	101,577	153	101,730

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2013

Note a: The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries in the People's Republic of China (the "PRC") 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 b: On 31 December 2012, 40% equity interest in LWK Conservation, a subsidiary of LWK & Partners (HK) Limited ("LWK Hong Kong"), was transferred to LWK Hong Kong, a wholly owned subsidiary of the Company, from Mr. Lee Chung Ming Eric, a director of LWK Conservation, at a cash consideration of HK$1. 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 c: On 11 June 2013, LWK Hong Kong and LWK Conservation, both wholly owned subsidiaries of the Company, 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.

Note d: On 21 June 2013, LWK Hong Kong entered into equity transfer agreement with Mr. Wang Jun You ("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$3,596,000) which was completed on 28 August 2013.

Note e: (i) On 10 June 2013, Mr. Liang and Mr. Fu transferred 79,310 and 33,990 shares of LWK Hong Kong (representing, in aggregate, 11.33% of the entire issued share capital of LWK Hong Kong), respectively, to Mr. Wang for a total consideration of HK$8.28 million. The amount of HK$5,210,000 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.

(ii) The amount of HK$114,000 recognised in share option reserve represents the share based payment of options granted under Pre-IPO Share Option Scheme. Details of the options granted under Pre-IPO Share Option Scheme have been set out in Note 37 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Operating activities		
Profit before tax	**20,687**	34,895
Adjustments for:		
Depreciation of property, plant and equipment	**4,156**	3,605
(Gain) loss on disposal of property, plant and equipment	**(1,697)**	6
Allowance for doubtful debts	**1,214**	–
Interest expenses and finance lease charges	**143**	64
Amortisation of intangible assets	**1,202**	1,171
Loss from changes in fair values of held for trading investments	**49**	46
Interest income	**(74)**	(100)
Recognition of equity-settled share-based payment	**5,324**	–
Gain on disposal of available-for-sale financial assets	**–**	(288)
Operating cash flows before movements in working capital	**31,004**	39,399
(Increase) decrease in rental and utility deposits	**(855)**	12
Increase in amounts due from customers for contract work	**(47,698)**	(37,573)
Decrease in held for trading investments	**–**	3,192
Increase in progress billings receivable from contract customers	**(6,742)**	(41,243)
Increase in prepayments and other receivables	**(778)**	(557)
Increase in amounts due to customers for contract work	**10,035**	33,507
Increase in trade payables	**1,108**	2,234
Increase in accruals and other payables	**20,593**	14,603
Cash generated from operations	**6,667**	13,574
Interest and finance lease charges paid	**(143)**	(64)
Income tax paid	**(8,410)**	(6,694)
Net cash (used in) from operating activities	**(1,886)**	6,816
Investing activities		
Purchases of property, plant and equipment	**(4,446)**	(3,993)
Proceeds from disposal of property, plant and equipment	**3,786**	65
Proceeds from disposal of available-for-sale financial assets	**–**	1,817
Interest received	**74**	100
Increase in pledged bank deposit	**(801)**	–
Net cash used in investing activities	**(1,387)**	(2,011)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Financing activities		
Repayment of obligations under finance leases	(419)	(221)
Dividends paid	–	(4,893)
Acquisition of LWK Macau	(29)	–
Acquisition of additional interest in LWK Yiheng	(3,596)	–
Proceeds from issue of quota capital of LWK Macau	–	29
Proceeds from issue of shares	37,350	–
Expenses incurred in connection with issue of shares	(6,387)	–
Advance from a director	6,700	–
Repayment to a director	(4,670)	–
Net cash from (used in) financing activities	28,949	(5,085)
Net increase (decrease) in cash and cash equivalents	25,676	(280)
Cash and cash equivalents at the beginning of the year	29,054	29,098
Effect of foreign exchange rate changes	569	236
Cash and cash equivalents at end of the year	55,299	29,054
Represented by:		
Bank balances and cash	56,410	29,054
Bank overdraft	(1,111)	–
	55,299	29,054

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 and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2013. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, respectively. 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 the British Virgin Islands (the "BVI"), and the ultimate controlling party is Mr. Liang.

The Company is an investment holding company and its subsidiaries are mainly engaged in provision of comprehensive architectural service.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. GROUP REORGANISATION

Before the completion of the group reorganisation as more fully explained in the section headed "Corporate Reorganisation" in Appendix IV to the prospectus of the Company dated 16 December 2013, 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.

On 11 June 2013, LWK Hong Kong and LWK Conservation, both wholly owned subsidiaries of the Company, 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$3,596,000) which is completed on 28 August 2013.

After interspersing the Company and Helffrich Ventures Limited ("Helffrich Ventures") between the shareholders and LWK Hong Kong which was completed on 5 December 2013 (the "Share Swap"), the Company became the holding company of the Group.

Accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

2. GROUP REORGANISATION (Continued)

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2013 and 2012 have been prepared as if the current group structure had been in existence for the years ended 31 December 2013 and 2012, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2012 has 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 on that date.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2013, the Group has adopted all the HKFRSs which are effective for the financial year beginning 1 January 2013.

In addition, the Group has early applied Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*. The effect of the early application is set out below.

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* have been applied in advance of the mandatory effective date (which is the annual periods beginning on or after 1 January 2014). The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash-generating unit. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or cash-generating unit was determined based on its fair value less costs of disposal. The relevant disclosures relating to recoverable amount of non-financial assets have been prepared in accordance with the amendments to HKAS 36.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, 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 characteristics 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 these consolidated financial statements 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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (other than business combinations involving entities under common control) (Continued)

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 HKFRS.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate 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 consolidated statements of profit or loss and other comprehensive income includes 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.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

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

Revenue recognition

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

Where the outcome of a contract of comprehensive architectural service can be estimated reliably, revenue from a fixed price contract of comprehensive architectural service is 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 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 (classifies as a finance lease) and buildings held for use in the supply of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

Depreciation is recognised so as to write off the cost of assets 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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 consolidated 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 consolidated statements of financial position under progress billings receivables from contract customers.

Financial instruments

Financial assets and financial liabilities are recognised 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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables and available-for-sale financial assets ("AFS"). 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 are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

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
- on initial recognition 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 any gains or losses arising on remeasurement recognised in profit or loss. 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. Fair value is determined in the manner described in Note 31.

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 impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

AFS

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 AFS 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 instrument, 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 a default or delinquency in interest or 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 a progress billings receivable from a contract customer is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

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 consolidated statements of financial position as a finance lease obligation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

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.

When 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 recognised 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 on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated 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 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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 generally recognised for all deductible temporary difference 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 in which 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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 acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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 as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

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 immediately in profit or loss.

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 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 under other reserve.

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity under share option reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, 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 at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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. As at 31 December 2013, the carrying amount of progress billings receivable from contract customers is approximately HK$78,813,000 (2012: HK$72,756,000) net of allowance for doubtful debts of approximately HK$1,784,000 (2012: HK$551,000).

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. As at 31 December 2013, the aggregate carrying amounts of goodwill and intangible assets are approximately HK$6,424,000 (2012: HK$7,424,000). Details of impairment testing of goodwill are set out in Note 16.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the contract revenue for comprehensive architectural service recognised during the year.

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 consolidated 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 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.

	2013 HK$'000	2012 HK$'000
Segment revenue	324,028	269,637
Reconciliation		
LWK Yiheng Fair Value Adjustments	(21)	(1,355)
Consolidated revenue	324,007	268,282
Segment result	14,157	29,714
Reconciliation		
LWK Yiheng Fair Value Adjustments	(2,985)	(2,486)
Consolidated profit for the year	11,172	27,228

Revenue from major services

The following is an analysis of the Group's revenue from its major services:

	2013 HK$'000	2012 HK$'000
Architecture	303,284	240,563
Landscape architecture, town planning, interior design and heritage conservation	20,723	27,719
	324,007	268,282

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets other than deferred tax assets.

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Place of domicile of group entity:				
Hong Kong	**76,991**	69,861	**11,158**	11,324
PRC	**162,911**	135,486	**13,502**	15,089
Macau	**661**	528	**–**	–
Foreign location/countries:				
PRC	**78,634**	61,928	**–**	–
South Korea, Macau and others	**4,810**	479	**–**	–
	324,007	268,282	**24,660**	26,413

Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group is as follows:

	2013	2012
	HK$'000	HK$'000
Customer A	*****	33,909

* There is no individual customer contributing over 10% of the consolidated revenue for the current year.

7. OTHER INCOME

	2013	2012
	HK$'000	HK$'000
Interest income on bank deposits	**74**	100
Sundry income	**766**	251
	840	351

8. OTHER GAINS AND LOSSES

	2013 HK$'000	2012 HK$'000
Gain (loss) on disposal of property, plant and equipment	1,697	(6)
Allowance for doubtful debts	(1,214)	–
Net foreign exchange gain	718	485
Loss from changes in fair value of held for trading investments	(49)	(46)
Gain on disposal of available-for-sale financial assets	–	288
	1,152	721

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest expense on:		
Bank overdraft	100	16
Obligations under finance leases	43	48
	143	64

10. PROFIT BEFORE TAXATION

	2013 HK$'000	2012 HK$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	950	800
Depreciation of property, plant and equipment	4,156	3,605
Amortisation of intangible assets (Note 1)	1,202	1,171
Operating lease payments (Note 2)	13,487	11,899
Staff costs		
– Salaries allowances and other benefits	171,744	142,066
– Operating lease payments	744	237
– Contributions to retirements benefits	6,260	4,171
– Equity-settled share-based payment	5,324	–
Total staff costs (including director's emoluments)	184,072	146,474

Note 1: Included in cost of services.

Note 2: For the year ended 31 December 2013, the amount includes the operating lease payments for staff quarters approximately amounting to HK$744,000 (2012: HK$237,000), 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 directors of the Company were as follows:

		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
2013					
Executive directors					
Mr. Liang	**–**	**3,790**	**2,940**	**96**	**6,826**
Mr. Fu (Note 1)	**–**	**2,913**	**1,547**	**84**	**4,544**
Mr. Wang (Note 3)	**–**	**5,832**	**2,688**	**44**	**8,564**
Mr. He Xiao	**–**	**1,687**	**500**	**15**	**2,202**
Mr. Lo Kin Nang	**–**	**1,882**	**500**	**15**	**2,397**
Mr. Ng Kwok Fai	**–**	**1,915**	**500**	**15**	**2,430**
	–	**18,019**	**8,675**	**269**	**26,963**
Independent non-executive directors					
Mr. Lo Wai Hung	**–**	**13**	**–**	**–**	**13**
Mr. Wang Julius	**–**	**13**	**–**	**–**	**13**
Mr. Yu Chi Mang (alias, Yue Chi Hang)	**–**	**13**	**–**	**–**	**13**
	–	**39**	**–**	**–**	**39**
2012					
Executive directors					
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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments (Continued)

Notes:

(1) Mr. Fu is the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

(2) The performance related incentive payment is defined by reference to the performance of the Group for the year ended 31 December 2013 and 2012.

(3) Included in the other benefits is an amount of HK$5,210,000, representing equity-settled share-based payment to Mr. Wang as an inducement upon joining the Group. Details of the transaction have been set out in Note e (i) to consolidated statement of changes in equity.

The 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 and no remuneration was paid to them during the year ended 31 December 2012.

During the years ended 31 December 2013 and 2012, except as disclosed in note (3) above, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company has waived any remuneration during the year ended 31 December 2013 and 2012.

(b) Employees' emoluments

The five highest paid individuals in the Group for the year ended 31 December 2013 and 2012 were all directors (including the Chief Executive Officer) of the Company and details of their emoluments are included above.

12. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	2,817	1,532
PRC Enterprise Income Tax ("EIT")	6,609	5,775
Macau Complementary Tax	–	38
	9,426	7,345
Deferred tax:		
Current year (Note 19)	89	322
	9,515	7,667

12. INCOME TAX EXPENSE (Continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

According to Sui Yue Guo Shui Jian Bei (穗越國稅減備) (2013) 100136, the tax rate of 廣州梁黃顧建築有限公司 ("LWK Guangzhou"), a subsidiary of the Company, is 20% on one-half of the profit chargeable to EIT for the period from 22 November 2012 (date of establishment) to 31 December 2012 and for the year ended 31 December 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 梁黃顧設計顧問(深圳)有限公司 ("LWK Shenzhen"), a wholly-owned subsidiary of the Company, and LWK Yiheng are 25% for the year ended 31 December 2013 and 2012.

According 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 19.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	HK$'000	HK$'000
Profit before taxation	**20,687**	34,895
Tax at the 16.5%	**3,413**	5,758
Tax effect of expenses not deductible for tax purpose	**3,834**	72
Effect of different tax rates of subsidiaries operating in the PRC and Macau	**889**	1,161
Effect of different tax rates of profits generated in the PRC	**1,149**	644
Tax effect of tax losses net recognised	**148**	–
Others	**82**	32
Income tax expense	**9,515**	7,667

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013 HK$'000	2012 HK$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to the owners of the Company	8,978	25,355
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	136,479,452	135,000,000
Effect of dilutive potential ordinary shares in respect of share options outstanding	152,845	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	136,632,297	N/A

The calculation of the weighted average number of shares outstanding during the years ended 31 December 2013 and 2012 has been adjusted for the effect of the Share Swap (as defined in Note 2) and the Capitalisation Issue (as defined in Note 29).

No diluted earnings per share is presented for the year ended 31 December 2012 as there were no potential ordinary shares outstanding during the year.

14. DIVIDEND

No dividend was paid or proposed by the Company during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 December 2012, an interim dividend of HK$4,893,000 was declared and paid by LWK Hong Kong to its then shareholders. The rate of dividend is not presented as such information is not meaningful.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2012	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	–	53	4,393	–	4,446
Disposals/write-off	(2,710)	(762)	(1,857)	(355)	(5,684)
Exchange realignment	78	11	302	18	409
At 31 December 2013	–	4,366	25,655	1,617	31,638
ACCUMULATED DEPRECIATION					
At 1 January 2012	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 year	–	867	3,073	216	4,156
Eliminated on disposals/write-off	(722)	(762)	(1,792)	(319)	(3,595)
Exchange realignment	21	11	170	16	218
At 31 December 2013	–	2,171	14,318	1,588	18,077
CARRYING AMOUNT					
At 31 December 2013	–	2,195	11,337	29	13,561
At 31 December 2012	1,931	3,009	9,950	279	15,169

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%

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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:

	2013 HK$'000	2012 HK$'000
Office equipment	**1,336**	1,677
Motor vehicles	**–**	200
	1,336	1,877

16. GOODWILL

	HK$'000
COST	
At 1 January 2012	4,721
Exchange realignment	37
At 31 December 2012	4,758
Exchange realignment	141
At 31 December 2013	4,899

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 2013 and 2012. 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 2013 and 2012. LWK Yiheng's revenue growth rate during the 5-year period is not more than 3% which is based on the management's estimate on LWK Yiheng's human resources capacity and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on LWK Yiheng's past performance and management's expectations for the market development. The management determines that any reasonably possible change in any of these assumptions would not cause the carrying amount of the goodwill exceeds its recoverable amount.

17. INTANGIBLE ASSETS

	License HK$'000	Club membership HK$'000	Total HK$'000
COST			
At 1 January 2012	4,703	569	5,272
Exchange realignment	37	–	37
At 31 December 2012	4,740	569	5,309
Exchange realignment	141	–	141
At 31 December 2013	4,881	569	5,450
AMORTISATION			
At 1 January 2012	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 year	1,202	–	1,202
Exchange realignment	80	–	80
At 31 December 2013	3,356	–	3,356
CARRYING AMOUNT			
At 31 December 2013	1,525	569	2,094
At 31 December 2012	2,666	569	3,235

During the year ended 31 December 2012 and the period from January to August of 2013, 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 amortisation of the license is adjusted prospectively. Club membership with an indefinite useful life is stated at cost less accumulated impairment losses.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Prepayments	777	823
Rental and utility deposits	4,106	3,251
Advances to staffs	1,014	758
Other receivables (Note)	7,773	412
	13,670	5,244
Analysed for reporting purpose as:		
Non-current assets	4,106	3,251
Current assets	9,564	1,993
	13,670	5,244

Note:

As at 31 December 2013, HK$7,200,000 was transferred to an underwriter out of the proceeds from issue of shares for settlement of professional fees on behalf of the Company. The unutilised balance was refunded to the Company in February 2014.

19. DEFERRED TAXATION

The following are the major components of deferred tax (liabilities) assets recognised and movements therein during current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Amounts due from/to customers for contract work HK$'000	Intangible assets acquired in business combination HK$'000	Fair value Adjustments on contracts of comprehensive architectural service HK$'000	Total HK$'000
At 1 January 2012	(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 (charge) to profit or loss	237	(1,321)	302	693	(89)
Exchange realignment	–	–	(15)	(61)	(76)
At 31 December 2013	(413)	(666)	(381)	(1,765)	(3,225)

19. DEFERRED TAXATION (Continued)

For the purpose of presentation in the consolidated 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:

	2013 HK$'000	2012 HK$'000
Deferred tax assets	**12**	620
Deferred tax liabilities	**(3,237)**	(3,680)
	(3,225)	(3,060)

No deferred tax asset has been recognised in respect of the unutilised tax losses of HK$894,000 (2012: Nil) and allowance for doubtful debts of HK$1,233,000 (2012: Nil) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

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. As at 31 December 2013, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries approximately amounting to HK$15,463,000 (2012: HK$5,996,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. HELD FOR TRADING INVESTMENTS

	2013 HK$'000	2012 HK$'000
Unlisted trading fund in the PRC	**521**	554

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2013 HK$'000	2012 HK$'000
Contracts in progress at the end of the reporting period:		
Costs incurred to date plus recognised profits less recognised losses	1,077,703	824,715
Less: progress billings	(1,063,671)	(848,852)
	14,032	(24,137)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	126,616	77,169
Amounts due to customers for contract work	(112,584)	(101,306)
	14,032	(24,137)

As at 31 December 2013, advances received from customers for contract work amounted to HK$15,506,000 (2012: HK$7,248,000) and are included in accruals and other payables.

22. PROGRESS BILLINGS RECEIVABLE FROM CONTRACT CUSTOMERS

	2013 HK$'000	2012 HK$'000
Gross amount	80,597	73,307
Less: Allowance for doubtful debts	(1,784)	(551)
	78,813	72,756

The movements in the allowance for doubtful debts were as follows:

	2013 HK$'000	2012 HK$'000
At beginning of the year	551	1,381
Recognised during the year	1,214	–
Amounts written off as uncollectible	–	(830)
Exchange realignment	19	–
At end of the year	1,784	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.

22. PROGRESS BILLINGS RECEIVABLE FROM CONTRACT CUSTOMERS (Continued)

As at 31 December 2013, included in the allowance for doubtful debts were individually impaired receivables of HK$1,784,000 (2012: HK$551,000) 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:

	2013 **HK$'000**	2012 HK$'000
Within 30 days	**27,603**	22,997
Over 30 days and within 90 days	**33,521**	32,426
Over 90 days and within 180 days	**5,506**	11,946
Over 180 days	**12,183**	5,387
	78,813	72,756

As at 31 December 2013, included in the Group's progress billings receivable balances were debtors with aggregate carrying amount of approximately HK$34,080,000 (2012: HK$28,268,000) 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:

	2013 **HK$'000**	2012 HK$'000
Past due within 30 days	**13,209**	12,159
Past due over 30 days and within 90 days	**12,609**	9,802
Past due over 90 days and within 180 days	**1,640**	5,890
Past due over 180 days	**6,622**	417
	34,080	28,268

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

As at 31 December 2013, bank balances carry interest at market rates which range from 0.01% to 0.50% per annum (2012: 0.01% to 0.50% per annum).

Pledged bank deposits, carrying interest at floating market rate of 0.01% per annum, are used to secure the bank overdraft facility of the Group and are therefore, classified as current assets.

24. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013	2012
	HK$'000	HK$'000
Within 30 days	**4,469**	3,646
Over 30 days and within 90 days	**577**	247
Over 90 days	**973**	871
	6,019	4,764

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

25. ACCRUALS AND OTHER PAYABLES

	2013	2012
	HK$'000	HK$'000
Accrued payroll and bonuses	**36,027**	24,053
Deposits from customers	**15,506**	7,248
PRC other tax payables	**2,316**	3,111
Payables of listing expenses and share issue costs	**6,793**	–
Accrued expenses and other payables	**4,135**	2,473
	64,777	36,885

26. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest free and repayable on demand.

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.

For the year ended 31 December 2013, interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.84% to 6.04% per annum (2012: ranging from 2.90% to 6.04% per annum).

	Minimum lease payments at		Present value of minimum lease payments at	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**399**	536	**323**	449
In more than one year but not more than two years	**399**	399	**346**	344
In more than two years but not more than five years	**712**	1,037	**676**	971
	1,510	1,972	**1,345**	1,764
Less: Future finance charges	**(165)**	(208)	**–**	–
Present value of lease obligations	**1,345**	1,764	**1,345**	1,764
Less: Amounts due for settlement within 12 months (shown under current liabilities)			**(323)**	(449)
Amounts due for settlement after 12 months			**1,022**	1,315

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 OVERDRAFT

As at 31 December 2013, bank overdraft carries interest at 3.5% (2012: 3.5%) per annum over Hong Kong Interbank Offered Rate ("HIBOR"). The bank overdraft is secured by pledged bank deposits (Note 23).

The unutilised bank overdraft is approximately HK$1,269,000 (2012: HK$2,380,000) as at 31 December 2013. 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

The Group

For the purpose of this report, the issued capital of the Group as at 1 January 2012 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 31 December 2013 represents the share capital of the Company.

The Company

Ordinary shares of HK$0.01 each	Number of Shares	HK$'000
Authorised		
At 13 May 2013 (date of incorporation) (Note 1)	38,000,000	380
Increase on 5 December 2013 (Note 2)	962,000,000	9,620
At 31 December 2013	1,000,000,000	10,000
Issued and paid up		
At 13 May 2013 (date of incorporation) (Note 1)	1	–
Issue under Share Swap (Note 3)	37,999,999	380
Issue of new shares upon listing (Note 4)	45,000,000	450
Capitalisation Issue (Note 5)	97,000,000	970
At 31 December 2013	180,000,000	1,800

Note 1: On 13 May 2013, the Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK$380,000.00 divided into 38,000,000 shares of HK$0.01 each, with one fully paid share issued to the initial subscriber. On the same day, the subscriber share was transferred to Rainbow Path International Limited.

Note 2: 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).

Note 3: 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 the issue by the Company of 21,355,999 ordinary shares to Rainbow Path International Limited (investment holding company set by Mr. Liang), 10,313,200 ordinary shares to Vivid Colour Limited (investment holding company set by Mr. Fu), 4,305,400 ordinary shares to Jun Ming Investments Limited (investment holding company set by Mr. Wang), and 2,025,400 ordinary shares to Veteran Ventures Limited (investment holding company set by Mr. Liang) credited as fully paid, respectively.

Note 4: On 19 December 2013, the Company placed 45,000,000 shares at HK$0.83 per share for a total gross proceeds of HK$37,350,000. The proceeds will be used to finance the implementation of the business plans as set forth in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 16 December 2013.

Note 5: On 20 December 2013, a sum of HK$970,000 standing to the credit of the share premium account of the Company was capitalised by applying such sum in paying up in full a total of 97,000,000 shares (the "Capitalisation Issue").

29. ISSUED CAPITAL (Continued)

The Company (Continued)

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2013.

30. 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 year.

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.

31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Fair value through profit or loss		
– Held for trading investments	**521**	554
Loans and receivables (including cash and cash equivalents)	**146,555**	104,724
	147,076	105,278
Financial liabilities		
At amortised cost	**35,594**	14,485
Obligations under finance leases	**1,345**	1,764
	36,939	16,249

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

Details of the Group'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 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 overdraft 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 overdraft.

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 consolidated financial statements during both years.

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 RMB at the end of each reporting period are as follows:

	2013 HK$'000	2012 HK$'000
Bank balances	429	3,954
Progress billings receivable from contract customers	14,719	29,478
	15,148	33,432

LWK Hong Kong, of which its functional currency is HK$, had amounts due from LWK Shenzhen and LWK Yiheng at 31 December 2013 and 2012 which are denominated in RMB. As at 31 December 2013, the aggregate intra-group balance is approximately HK$12,530,000 (2012: HK$3,849,000).

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

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.

	2013	2012
	HK$'000	HK$'000
Profit for the year	**1,156**	1,556

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Other price risk

The Group is exposed to equity price risk through its held for trading investments. The management manages this exposure by monitoring its portfolio of investments. During the year ended 31 December 2013 and 2012, the Group exposed to price risk in relation to its investment in unlisted trading fund in the PRC.

Sensitivity Analysis

The management considered that the exposure to price risk in relation to held for trading investments is minimal, accordingly, no sensitivity analysis is presented for both years.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated 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.

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

As at 31 December 2013, the Group's concentration of credit risk by geographical locations of the projects is in the PRC, which accounted for approximately HK$61,099,000 (2012: HK$53,653,000) of the total progress billings receivable.

The Group has a concentration of customers. For the year ended 31 December 2013, aggregate sales to the top five customers of the Group accounted for approximately 37.1% (2012: 42.7%) of the total revenue. Amount due from them as at 31 December 2013 amounted to approximately HK$41,912,000 (2012: HK$33,925,000), representing 53.2% (2012: 46.6%) of progress billings receivable. 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.

Liquidity risk analysis

The following table analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows of financial liabilities based on the earliest date of which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	On demand and less than 1 year HK$'000	1 year to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2013 HK$'000
2013					
Non-derivative financial liabilities					
Trade payables	–	6,019	–	6,019	6,019
Accruals and other payables	–	26,434	–	26,434	26,434
Amount due to a director	–	2,030	–	2,030	2,030
Bank overdraft	4.37	1,111	–	1,111	1,111
Obligations under finance Leases	5.90	399	1,111	1,510	1,345
		35,993	1,111	37,104	36,939
2012					
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

31. FINANCIAL INSTRUMENTS (Continued)

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 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 used).

Financial assets	Fair value as at 2013 HK$'000	Fair value as at 2012 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Held for trading investments – unlisted trading fund in the PRC	521	554	Level 2	Based on the fair value of underlying assets and liabilities which are substantially derived from Level 1 inputs

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 consolidated financial statements approximate their fair values which have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

32. 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:

	2013 **HK$'000**	2012 HK$'000
Within one year	**16,995**	11,694
In the second to fifth years inclusive	**18,746**	6,276
Total	**35,741**	17,970

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Leases are negotiated for terms ranging from 2 to 3 years at fixed rentals.

33. PLEDGE OF ASSETS

The Group has pledged short-term bank deposits with an aggregate carrying amount of HK$2,545,000 (2012: HK$1,744,000) to banks to secure bank overdraft granted to the Group.

34. 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 year, 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.

For the year ended 31 December 2013, the retirement benefits scheme contributions made by the Group approximately amounted to HK$6,260,000 (2012: HK$4,171,000).

35. RELATED PARTY TRANSACTIONS

(1) During the year ended 31 December 2012, Mr. Liang, the controlling shareholder and a director of the Company, provided personal guarantee to secure the bank overdraft of the Group. The personal guarantee to secure the bank overdrafts (Note 28) of the Group is released during the year ended 31 December 2013.

(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. Rich World Services Limited is controlled by Mr. Liang, the controlling shareholder and a director 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. Details are set out in Note (b) to the consolidated statement of changes in equity.

(4) During the year ended 31 December 2012, sub-consultancy charges amounting to approximately HK$816,000 were paid by LWK Conservation to a related company which is controlled by Mr. Lee Chung Ming Eric, a director of LWK Conservation. The arrangement has been terminated on 31 December 2012.

(5) On 11 June 2013, LWK Hong Kong and LWK Conservation, both wholly owned subsidiaries of the Company, 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 (c) to the consolidated statement 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 (e) to the consolidated statement 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 the Group, for a cash consideration of RMB2,830,000 (equivalent to approximately HK$3,596,000). The acquisition was completed on 28 August 2013.

(8) The remuneration of directors and other members of key management are disclosed in Note 11.

36. 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 (2013: Nil).

37. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

The Company's Share Option Scheme was adopted pursuant to a resolution passed on 5 December 2013 for the primary purpose of providing incentives or rewards to participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group incentives to directors and eligible employees, and will expire on 5 December 2023. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or their respective associates in excess of 0.1% of the Company's share capital or with an aggregate value in excess of HK$5 million based on the closing price of the shares at the date of each grant must be approved in advance by the Company's shareholders. Options granted must be taken up within one month of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. During the year ended 31 December 2013, there is no option granted under the Share Option Scheme.

Pre-IPO Share Option Scheme

The Company's Pre-IPO Share Option Scheme was adopted pursuant to a resolution passed on 5 December 2013 for the primary purpose of recognising and motivating the contributions that the directors, members of senior management and other employees have made or may make to the Group, and expired 20 December 2013. At 31 December 2013, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Scheme Option Scheme was 12,525,000, representing 6.96% of the shares of the Company in issue at that date.

Details of specific categories of options granted under Pre-IPO Share Option Scheme are as follows:

Type	Date of grant	Number of options granted	Vesting period	Exercise period	Exercise price	Fair value at grant date
Executive directors	6 December 2013	4,800,000	6 December 2013 to 5 December 2016	6 December 2016 to 5 December 2017	HK$0.83	HK$0.27
Other employees	6 December 2013	7,725,000	6 December 2013 to 5 December 2015	6 December 2015 to 5 December 2017	HK$0.83	HK$0.22

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Pre-IPO Share Option Scheme (Continued)

The following table discloses movements of the Company's share options held by employees during the year ended 31 December 2013:

	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at 31.12.2013
Pre-IPO share option	12,525,000	–	–	–	12,525,000
Exercisable the end of the year					–
Weighted average exercise price	HK$0.83	–	–	–	HK$0.83

On 5 December 2013, 12,525,000 options were granted and the estimated fair value of the options granted on that dates is HK$3,030,000.

These fair values at grant date were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	Executive directors	Other employees
Exercise price	HK$0.83	HK$0.83
Expected volatility	40.71%	39.24%
Expected life	4 years	3 years
Risk-free rate	0.69%	0.39%

Expected volatility was determined by using the historical volatility of the comparable companies' share price over the previous 4 and 3 years for the share options granted to executive directors and other employees respectively. The expected life used in the model has been adjusted, based on management's best estimated, for the effects of non-transferability, exercise restrictions and behavioural considerations. The variables and assumptions used in the Black-Scholes option pricing model in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expense of HK$114,000 for the year ended 31 December 2013 in relation to share options granted by the Company.

38. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Proportion of ownership interest and voting right owned by the Group 2013	2012	Issued and fully paid share capital/paid up registered capital	Principal activities
Helffrich Ventures	British Virgin Islands 15 January 2013	Hong Kong	**100%**	–	United States Dollars 1	Investment holding
LWK Hong Kong	Hong Kong 19 October 1995	Hong Kong	**100%**	100%	HK$1,000,000	Provision of comprehensive architectural service and investment holding
LWK Conservation	Hong Kong 12 June 2006	Hong Kong	**100%**	100%	HK$10,000	Provision of comprehensive architectural service
LWK Macau	Macau 9 July 2012	Macau	**100%**	70%	MOP30,000	Provision of comprehensive architectural service
LWK Shenzhen	PRC 20 September 2002 (Note a)	PRC	**100%**	100%	HK$1,000,000	Provision of comprehensive architectural service
LWK Yiheng	PRC 24 September 1986 (Note b)	PRC	**99%**	75%	RMB3,000,000	Provision of comprehensive architectural service
LWK Guangzhou	PRC 22 November 2012 (Note a)	PRC	**100%**	100%	RMB3,000,000	Provision of comprehensive architectural service

None of subsidiaries had issued any debt securities at the end of the year.

Note a: Registered as a wholly foreign-owned enterprise under the law of the PRC

b: Registered as a sino-foreign equity joint venture under the law of the PRC

38. PARTICULARS OF SUBSIDIARIES (Continued)

Details of a non-wholly owned subsidiary that has material non-controlling interests

Details of LWK Yiheng, a non-wholly owned subsidiary with material non-controlling interest, and another immaterial subsidiary with non-controlling interests are set out below.

	2013 HK$'000	2012 HK$'000
Profit allocated to non-controlling interest of LWK Yiheng	2,207	1,203
Accumulated non-controlling interests		
LWK Yiheng	153	2,275
Immaterial subsidiary	–	95
	153	2,370

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.

	2013 HK$'000	2012 HK$'000
Current assets	72,711	47,892
Non-current assets	11,401	11,080
Current liabilities	(61,782)	(42,047)
Non-current liabilities	(2,146)	(3,065)
Total equity	20,184	13,860
Revenue	111,754	76,616
Expenses	(105,932)	(71,806)
Profit for the year	5,822	4,810
Other comprehensive income for the year	502	137
Total comprehensive income for the year	6,324	4,947
Dividends paid to non-controlling interests	–	–
Net cash inflow (outflow) from operating activities	10,933	(871)
Net cash outflow from investing activities	(2,274)	(409)
Net cash inflow (outflow)	8,659	(1,280)

During the year ended 31 December 2013, the Group acquired additional interest in LWK Yiheng, the details of which are disclosed in Note (d) to the consolidated statement of changes in equity. The difference of HK$809,000 between the decrease in the non-controlling interests and the consideration paid has been credited to other reserve.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK$'000
Non-current asset	
Unlisted investment in a subsidiary	**54,519**
Current assets	
Other receivables	**7,200**
Bank balances	**18,150**
	25,350
Current liabilities	
Accruals	**7,227**
Amount due to a subsidiary	**3,687**
	10,914
Net current assets	**14,436**
Total assets less current liabilities	**68,955**
Capital and reserves	
Share capital	**1,800**
Reserves	**67,155**
	68,955

	Share premium HK$'000	**Share option reserve** HK$'000	**Accumulated loss** HK$'000	**Total** HK$'000
At 13 May 2013 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(16,641)	(16,641)
Recognition of equity-settled share-based payment	–	114	–	114
Effect of Share Swap (Note 29)	54,139	–	–	54,139
Capitalisation Issue (Note 29)	(970)	–	–	(970)
Issue of shares (Note 29)	36,900	–	–	36,900
Expenses incurred in connection with the issue of shares	(6,387)	–	–	(6,387)
At 31 December 2013	83,682	114	(16,641)	67,155

FINANCIAL SUMMARY

	For the year ended 31 December		
	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
RESULTS			
Revenue	198,478	268,282	**324,007**
Profit for the year	12,952	27,228	**11,172**
Earnings per share			
Basics (HK cents)	8.9	18.8	**6.6**
Diluted (HK cents)	N/A	N/A	**6.6**

	As at 31 December		
	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
ASSETS AND LIABILITIES			
Total assets	136,784	210,303	**299,141**
Total liabilities	(102,653)	(153,691)	**(197,411)**
	34,131	56,612	**101,730**
Equity attribute to owners of the Company	33,345	54,242	**101,577**
Non-controlling interests	786	2,370	**153**
	34,131	56,612	**101,730**