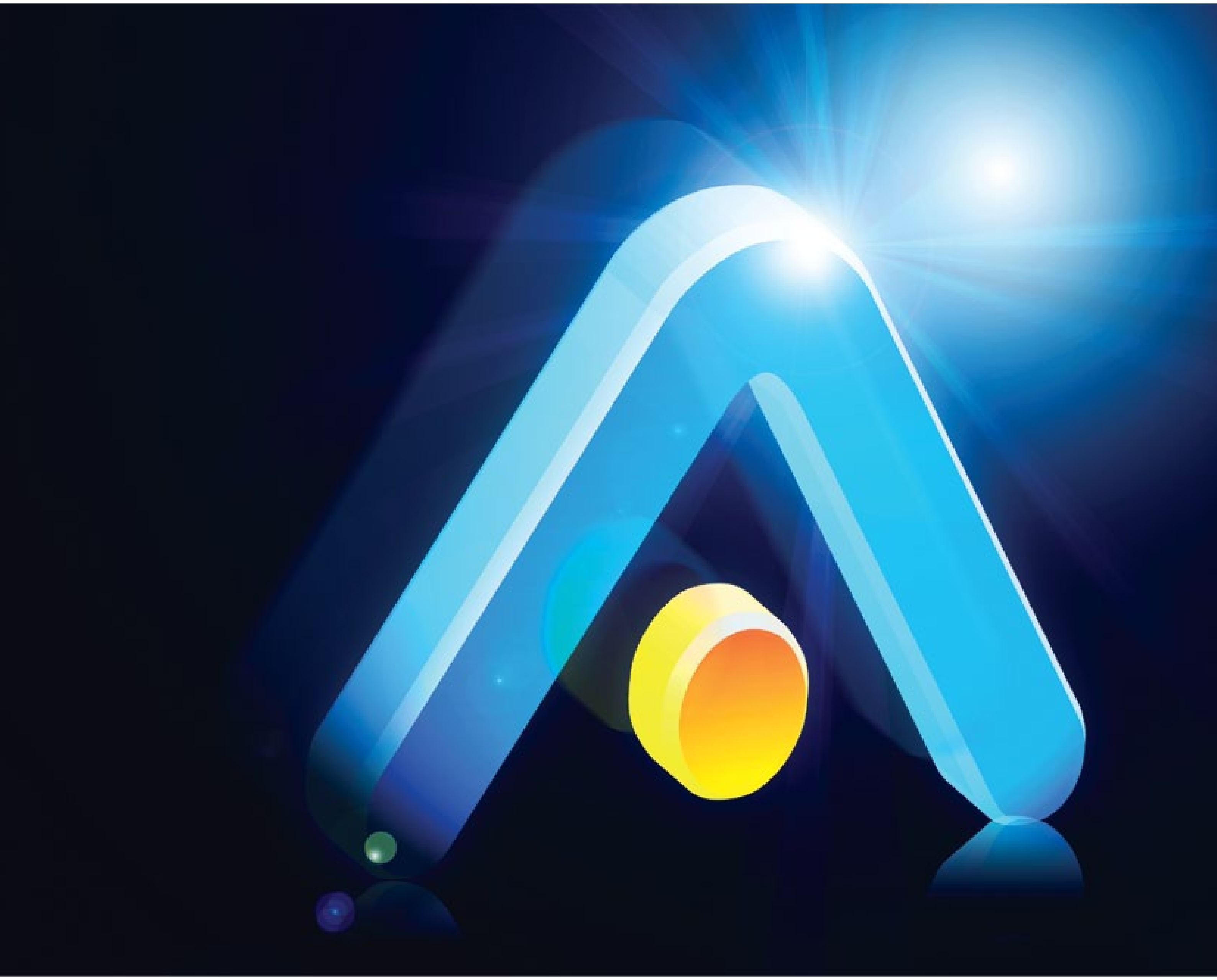

Annual Report 2011

SUMMIT ASCENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 102

Contents

Highlights

- Group reorganisation completed with new controlling shareholder and board of directors.

- Turnover decreased by 18.8% in a challenging environment.

- With a simpler and more cost effective structure, net profit from continuing operations improved 64% to HK$2.3 million in 2011 from HK$1.4 million in 2010.

- Positive cashflow of HK$7.2 million generated from continuing operations.

- Outstanding orders on hand amounted to HK$9.1 million.

- In search of business opportunities to enhance the return to shareholders.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the 2011 annual report of Summit Ascent Holdings Limited (the "Company") to the shareholders.

The Company completed the reorganisation in February 2011 with its name subsequently changed to "Summit Ascent Holdings Limited" to reflect the change in controlling shareholder. Certain subsidiaries were disposed of as a result of the reorganisation and the turnover of the Group (the Company and its subsidiaries) from continuing operations for the year decreased by 18.8% to HK$72.3 million (2010: HK$89.0 million). With a much simpler operating structure, we improved the net profit from continuing operations to HK$2.3 million (2010: HK$1.4 million).

The business environment was challenging in 2011 and we entered 2012 with the rising fear of a global economic slowdown that may lead to a property market collapse and, in the worst case, a lengthy recession. Hong Kong's political landscape and fiscal policy may also look different when the new Chief Executive's term begins. Demand may slow down under the bearish sentiment of an unstable private housing market and a period of elevating interest rate.

The Board is reviewing the business strategies of the Company and will formulate new plans to further enhance the return to shareholders.

Finally, I would like to express my heartfelt thanks to the management team and staff for their commitment and contribution to the Group's business in the past year.

Wang, John Peter Ben
Chairman and Executive Director

Hong Kong, 22 March 2012

Management Discussion and Analysis

Group Reorganisation

On 20 December 2010, Mr. Michael John Green and Mr. Daniel George Green, the Company's then directors and substantial shareholders, and HSBC International Trustee Limited (the "Vendors") and Delight Max Limited (the "Offeror") signed a share transfer agreement (as amended and supplemented by the supplemental share transfer agreement dated 21 January 2011) whereby the Vendors agreed to sell and the Offeror agreed to purchase 174,367,617 shares of the Company, representing approximately 73.28% of the issued share capital of the Company at the date of completion of the Share Transfer (as defined below) at a cash consideration of HK$203,678,813 (equivalent to approximately HK$1.1681 per share of the Company) (the "Share Transfer").

On 20 December 2010, Green Motherlode Limited as purchaser (the "Purchaser") and the Company as vendor signed a disposal agreement (as amended and supplemented by the supplemental disposal agreement dated 21 January 2011) (the "Disposal Agreement") whereby the Purchaser agreed to purchase and the Company agreed to sell the entire issued share capital of Arnhold (B.V.I.) Limited (the "Disposal Company") and all companies in which the Disposal Company has interests (collectively the "Disposal Group") at a cash consideration of HK$149 million (the "Disposal"). As a result of the Disposal, the Company and its remaining subsidiaries are principally engaged in tiles trading and engineering operations while the Disposal Group carries on the rest of the business operations of the Group, i.e. bathrooms trading, marble and bathroom products manufacturing and export, and bathroom products retail and renovation operations.

Upon completion of the Share Transfer and the Disposal on 22 February 2011, the Offeror owned approximately 73.28% of the issued share capital of the Company as at 22 February 2011. Thereafter, the Offeror made an unconditional mandatory general cash offer for all the shares of the Company not already owned or agreed to be acquired by the Offeror Group (as defined in the composite document dated 28 February 2011) and to make an appropriate offer for all the share options of the Company in accordance with Rules 26.1 and 13 of the Code on Takeovers and Mergers (the "Offers"). Immediately after the closing of the Offers on 21 March 2011, the Offeror held a total of 192,873,871 shares of the Company (representing approximately 81.06% of the issued share capital of the Company). Following the making of the Offers, the Group continues to engage in tiles trading and engineering operations.

On 15 April 2011, the Offeror has distributed in specie its 81.06% interest in the Company to its ultimate beneficial owners in proportionate to their shareholdings in the Offeror (the "Distribution"). Immediately after completion of the Distribution, Quick Glitter Limited, Mr. Wang, John Peter Ben (the Chairman and Executive Director of the Company) and the other minority shareholders of the Offeror held approximately 37.15%, 12.92% and 30.99% respectively of the issued share capital of the Company.

Due to the change of controlling shareholder, the Company has changed its name from "Arnhold Holdings Limited" to "Summit Ascent Holdings Limited" and adopted a new Chinese name "凱升控股有限公司" as its secondary name in place of the old Chinese name "安利控股有限公司" with effect from 16 May 2011.

Review of Operations

During the reporting period, the Company and its subsidiaries (the "Group") continued to focus on the tiles trading and engineering operations after the Disposal.

The Group's turnover from continuing operations for the year was HK$72.3 million with gross profit of HK$15.9 million (2010: HK$89.0 million and HK$18.3 million respectively). The decrease was mainly due to the lack of sizable projects towards the end of 2011. Market sentiment was mixed with uncertainties associated with global and local economies. Developers became more conservative in their budget on construction materials and started replacing our imported products with those from the Mainland China. Operating expenses from continuing operations for the year was HK$12.8 million (2010: HK$17.0 million). The changes were mainly due to the saving in staff remuneration and general administration overhead. As a result, the Group's net profit from continuing operations improved 64% to HK$2.3 million (2010: HK$1.4 million).

The Group's outstanding orders on hand amounted to HK$9.1 million as the Engineering division completed a few sizable projects in the year (as at 31 December 2010: HK$61.2 million).

Segmental Information

Since the trading of tiles and engineering equipment is now the sole business of the Group, segmental analysis is not applicable. The analysis of the continuing and discontinued operations is shown in note 5 to the consolidated financial statements.

Foreign Exchange Exposure and Financial Hedging

Following the completion of the reorganisation, the Group's operations are mainly denominated in Hong Kong dollar. Foreign exchange hedging has been dealt with in accordance with the arrangement set in the reorganisation exercise.

Liquidity and Financial Resources

The Group maintained a healthy financial position with no bank borrowing and no gearing as at 31 December 2011 (as at 31 December 2010: Nil). The Group remained conservative in working capital management. Cash and cash equivalents were HK$28.9 million compared to the Group's total cash and cash equivalents of HK$75.1 million at December 2010. The net cash outflow was mainly caused by the special dividend payment of HK$197.0 million in February 2011, netted off with the aggregated proceeds of HK$143.7 million from the disposals of subsidiaries and financial assets at fair value through profit and loss. We will continue to manage our cash flow cautiously and expect to meet our future financial requirements from internal resources. Most of the Group's cash balances are placed with a reputable financial institution.

Contingent Liabilities and Capital Commitment

There were no material contingent liabilities and capital commitments as at 31 December 2011.

Management Discussion and Analysis

Employees

As at 31 December 2011, the Group had approximately 14 employees in Hong Kong. The Group continues to provide remuneration packages and training programmes to employees with reference to prevailing market practices. Under the existing share option scheme of the Company, and in compliance with the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, the Directors were authorised to grant share options to directors, employees and consultants of the Group as incentives. Details of the share options granted are disclosed in the Report of the Directors annexed to this annual report.

Outlook

The business environment of the Company remains challenging in 2012 as the prospect of the Hong Kong property market is uncertain. Market sentiment remains bearish as a result of the uncertainties associated with the EU financial crisis. The potential changes in Hong Kong housing policy by the new Chief Executive also induce further complexities. It seems that Hong Kong developers may further cut back their budgets on construction materials by using less expensive products from the Mainland China. We expect the market conditions may deteriorate in 2012 and the timing for recovery remains unpredictable. The management will continue to search for new market opportunities and exercise tight control on overhead. With a solid balance sheet and a conservative treasury policy, we remain confident that we are well positioned for future challenges.

Mr. Wang, John Peter Ben (aged 52)
Chairman and Executive Director

Mr. Wang has been the Chairman and Executive Director of the Company since 25 March 2011. He is currently a non-executive director of Melco Crown Entertainment Limited, a company listed on the Main Board of the Hong Kong Stock Exchange and NASDAQ Global Select Market in the United States. He is also a director of China Precious Metal Resources Holdings Co., Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange, and MelcoLot Limited, a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange. From 2004 to 2009, Mr. Wang was the chief financial officer of Melco International Development Limited ("Melco"), a company listed on the Main Board of the Hong Kong Stock Exchange. Prior to joining Melco in 2004, Mr. Wang had over 18 years of professional experience in the securities and investment banking industry. His previous employers include JS Cresvale Securities International Limited, Deutsche Morgan Grenfell Securities Hong Kong Limited, Credit Lyonnais Securities (Asia) Limited, Carr Indosuez Asia Limited and Bear Stearns (Hong Kong) Limited. Mr. Wang qualified as a chartered accountant with the Institute of Chartered Accountants of England and Wales in 1985.

Mr. Tsui Yiu Wa, Alec (aged 62)
Independent Non-executive Director

Mr. Tsui has been an Independent Non-executive Director of the Company since 25 March 2011. He is also the chairman of the remuneration committee and corporate governance committee and a member of the audit committee and nomination committee of the Company. He is currently the Chairman of WAG Worldsec Corporate Finance Limited and an independent non-executive director of a number of listed companies in Hong Kong, Nasdaq and Shanghai, including China Chengtong Development Group Limited, COSCO International Holdings Limited, China Power International Development Limited, China Blue Chemical Limited, Pacific Online Ltd., all listed on the Hong Kong Stock Exchange, and China Oilfield Services Limited, a company listed on both the Hong Kong Stock Exchange and Shanghai Stock Exchange, and Melco Crown Entertainment Limited, a company listed on the Hong Kong Stock Exchange and Nasdaq and ATA Inc., a company listed on Nasdaq. Mr. Tsui is also an independent non-executive director of Industrial & Commercial Bank of China (Asia) Limited ("ICBC (Asia)") starting from 2000. ICBC (Asia) was listed on the Hong Kong Stock Exchange till December 2010 when it was privatized. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the SFC prior to joining the Stock Exchange in 1994 as an Executive Director of the Finance and Operations Services Division and becoming the chief executive in 1997. He was Chairman of the Hong Kong Securities Institute from 2001 to 2004. He was an advisor and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002. He previously served as an independent non-executive director of certain Hong Kong listed companies, namely Synergis Holdings Limited, Vertex Group Limited, Greentown China Holdings Limited and China Huiyuan Juice Group Limited. Mr. Tsui graduated from the University of Tennessee with a Bachelor of Science degree and a Master of Engineering degree in industrial engineering. He completed a Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University.

Profiles of Directors and Senior Management

Mr. Pang Hing Chung, Alfred (aged 50)
Independent Non-executive Director

Mr. Pang has been an Independent Non-executive Director of the Company since 25 March 2011. He is also a member of the audit committee of the Company. He is currently the Vice Chairman (Asia Coverage & Banking) of Standard Bank Plc, Hong Kong Branch and a director of Standard Bank Asia Limited ("Standard Bank") (also a member of Standard Bank's Asia Executive Committee) and an independent non-executive director of MelcoLot Limited, a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange. Mr. Pang has over 25 years of financial, management and investment banking experience in China, Asia and the United States. Before joining Standard Bank, Mr. Pang was the Managing Director and Vice Chairman, Investment Banking Division, at BOC International Holdings Ltd. ("BOCI") where he was also the Chairman of BOCI's Commitment Committee. Prior to joining BOCI, he was the Managing Director and President, Asia at the US investment banking firm of Donaldson Lufkin & Jenrette. Mr. Pang holds dual Bachelor of Arts (in Economics) & Bachelor of Science (in Electrical Engineering) Degrees from Cornell University, and MBA Degree from Stanford University Graduate School of Business in the United States.

Dr. Tyen Kan Hee, Anthony (aged 56)
Independent Non-executive Director

Dr. Tyen has been an Independent Non-executive Director of the Company since 25 March 2011. He is also the chairman of the audit committee and nomination committee and a member of the remuneration committee and corporate governance committee of the Company. He is currently an independent non-executive director of Melco International Development Limited and ASR Holdings Ltd., both companies listed on the Hong Kong Stock Exchange, and an independent director of Entertainment Gaming Asia Inc., a company listed on the New York Stock Exchange (NYSE-Amex). He was previously an independent non-executive director of two Hong Kong listed companies, namely, Value Convergence Holdings Limited and Recruit Holdings Limited. Dr. Tyen holds a Doctoral degree in Philosophy and a Master degree in Business Administration, both from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators and a member of the Taxation Institute of Hong Kong. He is currently a practising certified public accountant in Hong Kong and has over 30 years' experience in auditing, accounting, management and company secretarial practice.

Mr. Tsang Yuen Wai, Samuel (aged 57)
Company Secretary

Mr. Tsang has been the Company Secretary of the Company since 25 March 2011. Mr. Tsang is a solicitor admitted in Hong Kong, England and Australia. Mr. Tsang has worked as a lawyer with major law firms and listed conglomerates in Hong Kong for over 20 years. He holds a master of laws degree from University of Hong Kong and a master of business administration degree from the Australian Graduate School of Management.

Corporate Information

Board of Directors

Executive Director

Mr. Wang, John Peter Ben *(Chairman)*

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
Mr. Pang Hing Chung, Alfred
Dr. Tyen Kan Hee, Anthony

Audit Committee

Dr. Tyen Kan Hee, Anthony *(Chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Pang Hing Chung, Alfred

Remuneration Committee

Mr. Tsui Yiu Wa, Alec *(Chairman)*
Dr. Tyen Kan Hee, Anthony

Nomination Committee

Dr. Tyen Kan Hee, Anthony *(Chairman)*
Mr. Tsui Yiu Wa, Alec

Corporate Governance Committee

Mr. Tsui Yiu Wa, Alec *(Chairman)*
Dr. Tyen Kan Hee, Anthony

Company Secretary

Mr. Tsang Yuen Wai, Samuel

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head Office in Hong Kong

Room 3701, 37th Floor
The Centrium
60 Wyndham Street
Hong Kong

Principal Place of Business in Hong Kong

6th Floor, Victoria Centre
15 Watson Road
North Point
Hong Kong

Principal Banker

The Hongkong and Shanghai Banking
Corporation Limited

Auditor

PricewaterhouseCoopers

Principal Share Registrar and Transfer Agent

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 102

Website

http://www.summitascentholdings.com

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance in fulfilling its responsibilities to shareholders. Our business culture and practices are founded upon a common set of values that govern our relationships with customers, employees, shareholders, suppliers and the communities in which we operate. The Company also acknowledges and appreciates its responsibility towards society at large and has embarked upon various initiatives to effectuate this.

Corporate Governance Practices

The Stock Exchange of Hong Kong Limited has promulgated the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which came into effect in January 2005. The Company has adopted the code provisions set out in the CG Code as its own code on corporate governance practices.

Throughout the year ended 31 December 2011, the Company has complied with all the code provisions of the CG Code, except for the following deviations:

(i) Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive officer of a listed company should be separate and should not be performed by the same individual. The Company has not appointed a chief executive officer and Mr. Wang, John Peter Ben, the Chairman and Executive Director of the Company, is responsible for the management of the Board. Upon completion of the disposal of Arnhold (B.V.I.) Limited, a former subsidiary of the Company, to Green Motherlode Limited on 22 February 2011, the Group is engaged in tiles trading and engineering operations (the "Remaining Business") only. The Remaining Business continues to be managed by the employees and personnel previously responsible for the same, and, hence, minimal supervision is necessary. Due to the aforesaid arrangement and as the Company has no other new business, the Company does not currently need a chief executive officer and the roles of the Chairman and Executive Director of the Company can be performed by one individual, namely, Mr. Wang, John Peter Ben. The daily management of the Group is carried out by the Chairman and Executive Director of the Company. Until such time as the Group has other new business, all matters other than matters related to the day-to-day management of the Group, including, in particular, material commitments and transactions, will be considered and approved by the board of directors (the "Board") of the Company. Such arrangement will be subject to review by the Board from time to time.

(ii) Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors of the Company are not appointed for specific terms. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

Corporate Governance Practices (cont'd)

(iii) Code provision A.5.4 stipulates that directors must comply with their obligations under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Mr. Christopher John David Clarke ("Mr. Clarke"), a former director of the Company who has resigned with effect from the end of 24 March 2011, informed the Company that he had sold a total of 100,000 shares of the Company on 2 March and 3 March 2011 without notifying the Chairman of the Company and such transactions took place within the black-out period under Rule A.3(a)(i) of the Model Code. This non-compliance of the Model Code constituted a deviation from the code provision A.5.4 of the CG Code. As informed by Mr. Clarke, the non-compliance was not deliberate and completely unintentional and was due to his misunderstanding on the effective date of his resignation as a non-executive director of the Company. Such change of interest was subsequently disclosed on 21 March 2011 immediately after it was brought to the attention of the Company and the director concerned.

The Board of Directors

Composition of the Board

During the year, after the group reorganization, the Board was re-organized. Currently, the Board has four members, consisting of one Executive Director, Mr. Wang, John Peter Ben (Chairman), and three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Pang Hing Chung, Alfred and Dr. Tyen Kan Hee, Anthony. The composition of the Board is in conformity with Rules 3.10(1) and 3.10(2) of the Listing Rules, which stipulate a minimum of three independent non-executive directors with at least one possessing appropriate professional qualifications and expertise.

The names and biographical details of the Directors are disclosed in the section "Profiles of Directors and Senior Management" set out on pages 7 to 8 of this annual report.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation pursuant to the Bye-laws of the Company, provided that every director shall be subject to retirement at least once every three years. This year, Mr. Tsui Yiu Wa, Alec and Mr. Pang Hing Chung, Alfred will retire and they are eligible to offer themselves for re-election at the forthcoming annual general meeting. The biographical details of Mr. Tsui Yiu Wa, Alec and Mr. Pang Hing Chung, Alfred have been set out in a circular to assist shareholders to make an informed decision on their re-elections.

The Board of Directors (cont'd)

Board Meetings

The Board meets regularly over the Company's affairs and operations. The Board held a total of four regular meetings during the year ended 31 December 2011. All businesses transacted at the meetings were documented and the records are maintained in accordance with applicable laws and regulations.

Set out below is the attendance record of each member of the Board at board meetings during the year ended 31 December 2011:

Former Directors (all resigned with effect from the end of 24 March 2011)

	No. of meetings attended/held in 2011	Attendance rate
Executive Directors		
Mr. Michael John Green *(Chairman)*		
(also appointed as alternate director to Simon Murray)	1/1	100%
Mr. Daniel George Green *(Managing Director)*	1/1	100%
Mr. Lai Ka Tak, Patrick	1/1	100%
Non-executive Directors		
Mr. Lim Ghee Keong	1/1	100%
Mr. Christopher John David Clarke	1/1	100%
Independent Non-executive Directors		
Mr. Owen Mark Lewellin Rhys	1/1	100%
Mr. Thaddeus Thomas Beczak	1/1	100%
Mr. Simon Murray*	1/1	100%

* attended by Mr. Michael John Green as alternate director

The Board of Directors (cont'd)

Board Meetings (cont'd)

Existing Directors (all appointed with effect from 25 March 2011)

	No. of meetings attended/held in 2011	Attendance rate
Executive Director		
Mr. Wang John Peter Ben *(Chairman)*	3/3	100%
Independent Non-executive Directors		
Mr. Tsui Yiu Wa, Alec	3/3	100%
Mr. Pang Hing Chung, Alfred	3/3	100%
Dr. Tyen Kan Hee, Anthony	3/3	100%

Procedure to enable Directors to seek independent professional advice

To assist the Directors to discharge their duties to the Company, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any Director for such independent professional advice in 2011.

Securities Dealings of Directors

The Company has adopted a code of conduct regarding Directors' securities dealings on terms set out in the Model Code. Having made specific enquiry of the Directors, all have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors set out in the Model Code for the year 2011. However, one exception occurred in March 2011 and was noted in paragraph (iii) of the "Corporate Governance Practices" section above. The Company has paid due regard to this non-compliance, and, in order to prevent the occurrence of similar incidents, the management of the Company has immediately taken steps to remind the Directors of the dealing restriction during the black-out period.

Delegation by the Board

The Board is chaired by Mr. Wang, John Peter Ben, who is the Chairman and Executive Director of the Company. As set out in paragraph (i) of the "Corporate Governance Practices" section above, Mr. Wang is also responsible for the daily management of the Group.

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to board committees, which review and make recommendations to the Board in specific areas. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. The terms of reference of the board committees have been posted on the Company's website at http://www.summitascentholdings.com under the section "Corporate Governance".

Delegation by the Board (cont'd)

(1) Audit Committee

The Audit Committee was established with written terms of reference that describe the authority and duties of the Committee. Such terms of reference were prepared and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and in compliance with the code provisions stipulated in the CG Code. Currently, the Audit Committee comprises three Independent Non-executive Directors, namely Dr. Tyen Kan Hee, Anthony (Chairman), Mr. Tsui Yiu Wa, Alec and Mr. Pang Hing Chung, Alfred, who possess appropriate professional qualifications and expertise required by Rule 3.21 of the Listing Rules.

The Audit Committee is accountable to the Board. It provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. The Group's external auditors are PricewaterhouseCoopers. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The Audit Committee has reviewed the Company's half-yearly and annual results and its system of internal control. The Committee also carried out and discharged its duties as set out in the CG Code. Other details of the role and function of the Committee are available on the Company's website under the section "Corporate Governance".

During the year 2011, the Audit Committee held a total of two meetings. The attendance record of each member of the Committee during the year ended 31 December 2011 is set out below:

Former Audit Committee Members (all resigned with effect from the end of 24 March 2011)

	No. of meetings attended/held in 2011	**Attendance rate**
Mr. Owen Mark Lewellin Rhys *(Chairman)*	1/1	100%
Mr. Thaddeus Thomas Beczak	1/1	100%
Mr. Christopher John David Clarke	1/1	100%

Delegation by the Board (cont'd)

(1) Audit Committee (cont'd)

Existing Audit Committee Members (all appointed with effect from 25 March 2011)

	No. of meetings attended/held in 2011	**Attendance rate**
Dr. Tyen Kan Hee, Anthony *(Chairman)*	1/1	100%
Mr. Tsui Yiu Wa, Alec	1/1	100%
Mr. Pang Hing Chung, Alfred	1/1	100%

(2) Remuneration Committee

The Remuneration Committee comprises two Independent Non-executive Directors, namely Mr. Tsui Yiu Wa, Alec (Chairman) and Dr. Tyen Kan Hee, Anthony. It determines the remuneration packages of the executive director and senior management and makes recommendations to the Board on policies and structure for remuneration of directors and senior management, on the establishment of a formal and transparent procedure for developing policy on such remuneration and on the remuneration of Non-executive Directors. Other details of the role and function of the Remuneration Committee are set out at the Company's website under the section "Corporate Governance".

The Remuneration Committee held one meeting during the year 2011. The attendance record of each member of the Committee is set out below:

	No. of meetings attended/held in 2011	**Attendance rate**
Mr. Tsui Yiu Wa, Alec *(Chairman)*	1/1	100%
Dr. Tyen Kan Hee, Anthony	1/1	100%

Delegation by the Board (cont'd)

(2) Remuneration Committee (cont'd)

Remuneration policy

The formulation of the Group's remuneration strategy and policy is based on the principles of equity and market competitiveness so as to drive staff to work towards the mission of the Group and to retain talents. As a long-term incentive plan and with the aim at motivating Directors and employees in the continued pursuit of the Company's goal and objectives and to recognize their contributions to the Group, the Company has adopted a share option scheme under which the Company may grant share options to the Directors/employees/consultants to subscribe for the shares of the Company.

Emoluments of Directors

The emoluments of the Directors are determined with regard to the performance of individuals, the Company's operating results and market standards. During the year, the Remuneration Committee has considered the remuneration of the Executive Director and the director's fee of the Independent Non-executive Directors and the grant of share options to the Directors, employees and consultants of the Group.

On 22 March 2012, the Board has established a Nomination Committee and a Corporate Governance Committee with written terms of reference in compliance of the CG Code. The Nomination Committee is made up of two Independent Non-executive Directors, namely, Dr. Tyen Kan Hee, Anthony (Chairman) and Mr. Tsui Yiu Wa, Alec. The Corporate Governance Committee is made up of two Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec (Chairman) and Dr. Tyen Kan Hee, Anthony.

Internal Controls

The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Company maintains a well-established control framework comprising clear structures and accountabilities, well understood policies and procedures and budgeting and review process. The management meets monthly to review divisional financial performance, business development plans, management issues, financial budgets and forecasts and capital expenditure proposals. Management accounts of the operating subsidiaries are reported to the Board on a monthly basis.

The Board works together with the Audit Committee to discharge its internal control responsibility for the ongoing oversight of the internal control framework which provides an important key to reinforcing the organisation's commitment to internal control.

The Company has implemented an annual programme to conduct an in-depth review of financial, operational and compliance controls and compliance with company financial policies at business units. The Board reports its findings to the Audit Committee and any material issues are reported and discussed with the Board.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's system of internal control for the year ended 31 December 2011 covering all material financial, operational and compliance controls and risk management functions, and considers that the system of internal control is adequate and effective.

Auditor's Remuneration

During the year, the fees charged by PricewaterhouseCoopers, the external auditor in respect of audit and non-audit services provided by the auditor to the Group were as follows:

Nature of services	Amount (HK$'000)
Audit services	719
Non-audit services	
(i) tax services	24
(ii) other services	1,312

Directors' and Auditors' Responsibilities for Accounts

The Directors' responsibilities for preparing the financial statements and the reporting responsibilities of the external auditors are set out on pages 31 to 32 of this annual report.

Communication with Shareholders

The Company regards the annual general meeting of the Company ("AGM") an important event as it provides an opportunity for the Board to communicate with the shareholders. Notice of AGM and related papers are sent to the shareholders at least 20 clear business days before the meeting. The Chairmen of the Company and of the Board Committees are available at the AGM to answer questions raised by shareholders of the Company or other parties. The Company supports the CG Code's principle to encourage shareholders' participation. Questioning by the shareholders at the AGM is encouraged and welcomed.

The Company Secretary responds to letters, emails and telephone enquiries from shareholders/investors. Shareholders and investors are welcome to raise enquiries through our email contact at info@summitascentholdings.com or by mail to our Company Secretary at Room 3701, 37th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The website of the Company at http://www.summitascentholdings.com also provides a medium to make information of the Company and the Group available to the shareholders with a section on "Corporate Governance" included.

Shareholders' Rights

Pursuant to bye-law 58 of the Company's Bye-laws, shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may deposit a requisition to convene a special general meeting and state the purpose therefor at the Company's head office at Room 3701, 37th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. To facilitate enforcement of shareholders' rights, substantially separate issues at general meetings are dealt with under separate resolutions.

The directors have pleasure in submitting their report together with the audited consolidated financial statements of Summit Ascent Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2011.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are shown in note 17 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 5 to the consolidated financial statements.

Change of Company Name

Due to the change of controlling shareholder, the Company has changed its name from "Arnhold Holdings Limited" to "Summit Ascent Holdings Limited" and adopted a new Chinese name "凱升控股有限公司" as its secondary name in place of the old Chinese name "安利控股有限公司" with effect from 16 May 2011.

Major Customers and Suppliers

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers during the financial year were follows:

	Percentage of the Group's total	
	Sales Purchases	**Purchases**
The largest customer	21%	
Five largest customers in aggregate	37%	
The largest supplier		22%
Five largest suppliers in aggregate		54%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in these major customers or suppliers.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 33 of this annual report.

On 22 February 2011, the Board resolved that a special dividend of HK$0.8279 per share be distributed to shareholders whose names appeared on the registrar of members of the Company on 16 February 2011. The special dividend of HK$196,990,000 was paid on 25 February 2011.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 25 to the consolidated financial statements respectively.

Charitable Donations

Donations made by the Group during the year amounted to nil (2010: HK$21,000).

Share Capital and Share Options

Details of the movements in share capital and share options of the Company are set out in note 24 to the consolidated financial statements.

Distributable Reserves

Distributable reserves include contributed surplus and retained earnings. A memorandum of reduction of share premium of the Company was delivered to the Bermuda Registrar of Companies on 21 February 2011, resulting in cancellation of the entire amount standing to the credit of the Company's share premium account as at 31 December 2010 of HK$98,427,000. Following this, the share premium was classified as a distributable reserve.

Distributable reserves of the Company at 31 December 2011, as defined by the Companies Act 1981 of Bermuda, amounted to HK$1,368,000 (2010: HK$78,392,000).

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 88 of this annual report.

Retirement schemes

Particulars of the retirement schemes of the Group and the Company as at 31 December 2011 are set out in note 11 to the consolidated financial statements.

Pre-emptive Rights

No pre-emptive rights exist under the laws of Bermuda in relation to issue of new shares by the Company.

Report of the Directors

Directors

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

Executive Directors:

Mr. Wang, John Peter Ben (Chairman)	*(appointed on 25 March 2011)*
Mr. Michael John Green	*(resigned with effect from the end of 24 March 2011)*
Mr. Daniel George Green	*(resigned with effect from the end of 24 March 2011)*
Mr. Lai Ka Tak, Patrick	*(resigned with effect from the end of 24 March 2011)*

Non-executive Directors:

Mr. Lim Ghee Keong	*(resigned with effect from the end of 24 March 2011)*
Mr. Christopher John David Clarke	*(resigned with effect from the end of 24 March 2011)*

Independent Non-executive Directors:

Mr. Tsui Yiu Wa, Alec	*(appointed on 25 March 2011)*
Mr. Pang Hing Chung, Alfred	*(appointed on 25 March 2011)*
Dr. Tyen Kan Hee, Anthony	*(appointed on 25 March 2011)*
Mr. Owen Mark Lewellin Rhys	*(resigned with effect from the end of 24 March 2011)*
Mr. Thaddeus Thomas Beczak	*(resigned with effect from the end of 24 March 2011)*
Mr. Simon Murray	*(resigned with effect from the end of 24 March 2011)*

Due to the change in control of the Company, there was an alteration in the composition of the board of directors (the "Board") of the Company. Mr. Wang, John Peter Ben was appointed as the Chairman of the Board and executive director and Mr. Tsui Yiu Wa, Alec, Mr. Pang Hing Chung, Alfred and Dr. Tyen Kan Hee Anthony were appointed as independent non-executive directors, all with effect from 25 March 2011. Mr. Michael John Green resigned as the Chairman of the Board and executive director, Messrs. Daniel George Green and Lai Ka Tak, Patrick resigned as executive directors, Messrs. Lim Ghee Keong and Christopher John David Clarke resigned as non-executive directors and Messrs. Owen Mark Lewellin Rhys, Thaddeus Thomas Beczak and Simon Murray resigned as independent non-executive directors, all with effect from the end of 24 March 2011. Details of the appointment and resignation of directors were set out in the announcements of the Company dated 22 February 2011 and 25 March 2011.

In accordance with bye-laws 87(1) and (2) of the Company's Bye-laws, Mr. Tsui Yiu Wa, Alec and Mr. Pang Hing Chung, Alfred will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

Biographical Details of Directors and Senior Management

Biographical details of directors and senior management as at the date of this report are set out on pages 7 to 8 of this annual report.

Directors' Service Contracts

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Group's business to which the Company or its 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.

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2011 are disclosed in note 28 to the consolidated financial statements.

Share Options

At an extraordinary general meeting held on 7 July 2011, the shareholders of the Company approved the adoption of a new share option scheme (the "2011 Share Option Scheme") and the termination of the share option scheme adopted on 11 July 2002 (the "2002 Share Option Scheme"). Under the 2011 Share Option Scheme, the directors of the Company may, at their discretion, grant to any Participants (as defined below) share options to subscribe for the Company's shares (the "Shares"), subject to the terms and conditions stipulated therein.

(I) 2002 Share Option Scheme

A summary of the movements of the share options, which were granted under the 2002 Share Option Scheme during the year, is set out below:

Category of participant	Number of share options: Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December 2011	Date of grant of share options	Exercise price per share HK$	Notes
Director									
Mr. Daniel George Green *	1,600,000	–	(1,543,584)	–	(56,416)	–	02.01.2008	1.49	1, 2 & 3

* Mr. Daniel George Green resigned as a director of the Company with effect from the end of 24 March 2011

Share Options (cont'd)

(I) 2002 Share Option Scheme (cont'd)

Notes:

1. The share options granted on 2 January 2008 can be exercised in two instalments, 50% of which at any time between 2 January 2010 and 10 July 2012 and the remaining 50% at any time between 2 January 2011 and 10 July 2012. At the date before the share options were granted, i.e. 31 December 2007, the market value per share was HK$1.49.

2. In respect of the 1,543,584 share options exercised during the year, the weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$2.92.

3. On 28 February 2011, Delight Max Limited (the "Offeror") made an unconditional mandatory cash offer for the cancellation of the share options in accordance with the Code on Takeovers and Mergers (the "Option Offer"). The cash payment under the Option Offer for the cancellation of those share options is a nominal amount of HK$0.001 for each share option. As at 4:00 p.m. on Monday, 21 March 2011, being the latest time for acceptance of the offer, the Offeror had received valid acceptance of the Option Offer from Mr. Daniel George Green which resulted in the cancellation of a total of 56,416 share options. After the closing of the Option Offer, there was no share option outstanding under the 2002 Share Option Scheme as at 31 December 2011.

(II) 2011 Share Option Scheme

The following is a summary of the principal terms of the 2011 Share Option Scheme:

i) Purpose

The purpose of the 2011 Share Option Scheme is to recognize the contribution that Participants have made or may make to the Company, to provide them with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

ii) Participants

The participants of the 2011 Share Option Scheme include (1) any executive or non-executive directors of any members of the Group and (2) any executives and employees of and consultants, professional and other advisers to any members of the Group.

Share Options (cont'd)

(II) 2011 Share Option Scheme (cont'd)

iii) Maximum number of shares available for issue under the 2011 Share Option Scheme

The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2011 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the adoption of the 2011 Share Option Scheme (the "Scheme Mandate Limit") unless the Company seeks approval of its shareholders in general meeting to refresh the Scheme Mandate Limit, such that the maximum number of Shares which may be issued upon exercise of all options to be granted under the 2011 Share Option Scheme or any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. The Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided that the options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

As at the date of this report, a total of 19,743,958 Shares (representing approximately 8.30% of the issued share capital of the Company) may be issued upon exercise of all options which may be granted under the 2011 Share Option Scheme and a total of 4,050,000 Shares (representing approximately 1.70% of the issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2011 Share Option Scheme.

iv) Maximum entitlement to any one Participant

The maximum entitlement for any one Participant (including both exercised and outstanding options) in any twelve months' period shall not exceed 1% of the total number of Shares in issue.

v) Period and payment on acceptance of options

The period under which an option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall not be longer than ten years from the date of grant pursuant to the 2011 Share Option Scheme. The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option. The amount payable on acceptance of an offer of the grant of an option is HK$1.00. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.

vi) The basis of determining the exercise price

The exercise price in relation to each option shall be determined by the Board in its absolute discretion, but in any event shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date when an option is offered; (ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of a Share.

Share Options (cont'd)

(II) 2011 Share Option Scheme (cont'd)

vii) Remaining life of the 2011 Share Option Scheme

The 2011 Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date. It will expire on 6 July 2021.

A summary of the movements of the share options, which were granted under the 2011 Share Option Scheme, during the year is set out below:

Category of participant	Number of share options					Approximate % of issued share capital	Date of grant of share options	Exercise price per share	Notes
	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 31 December 2011			HK$	
Directors									
Mr. Wang, John Peter Ben	–	250,000	–	–	250,000	0.11%	26.08.2011	1.77	2
Mr. Tsui Yiu Wa, Alec	–	250,000	–	–	250,000	0.11%	26.08.2011	1.77	2
Mr. Pang Hing Chung, Alfred	–	250,000	–	–	250,000	0.11%	26.08.2011	1.77	2
Dr. Tyen Kan Hee, Anthony	–	250,000	–	–	250,000	0.11%	26.08.2011	1.77	2
Employees and Consultants	–	3,050,000	–	–	3,050,000	1.28%	26.08.2011	1.77	3
Total	–	4,050,000	–	–	4,050,000	1.72%			

Notes:

1. As at 31 December 2011, the total number of issued shares of the Company was 237,939,584.

2. The share options can be exercised in two instalments, 50% of which at any time between 26 August 2011 to 25 August 2021 and the remaining 50% at any time between 26 August 2012 to 25 August 2021.

3. The share options can be exercised in two instalments, 50% of which at any time between 26 August 2012 to 25 August 2021 and the remaining 50% at any time between 26 August 2013 to 25 August 2021.

4. As at 31 December 2011, the Company had 4,050,000 share options outstanding under the 2011 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,050,000 additional ordinary shares of the Company and additional share capital of approximately HK$405,000 and share premium of approximately HK$6,763,500 before issuance expenses.

Share Options (cont'd)

(II) 2011 Share Option Scheme (cont'd)

Based on the binomial option pricing model, the estimated fair value of the share options granted on 26 August 2011 is approximately HK$3,611,000. The fair value per option granted during the year ended 31 December 2011 is HK$0.892.

The inputs into the model were as follows:

	Share options granted on 26 August 2011
Exercise price	HK$1.77
Expected volatility	55%
Expected life	10 years
Risk-free rate	1.757%

Expected volatility was determined by using the annualized volatility of the daily share prices of the Company prior to the issuance of the Options. The variables and assumptions used in computing the fair value of the Options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2011, the interests and short position of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(I) Long position in the shares of the Company

Ordinary shares of HK$0.10 each of the Company

Name of Director	**Capacity**	**Nature of interest**	**Number of ordinary shares held**	**Approximate % of issued share capital**
Mr. Wang, John Peter Ben	Beneficial owner	Personal	30,749,998	12.92%

Directors' Interests in Shares, Underlying Shares and Debentures (cont'd)

(II) Long position in underlying shares of equity derivatives of the Company

During the year, share options were granted to all directors of the Company pursuant to the 2011 Share Option Scheme. Details of the directors' interests in share options granted by the Company are set out under the section headed "Share Options" of this report.

Save as disclosed above, as at 31 December 2011, none of the directors and chief executive of the Company and their respective associates had any interests or short position in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Interests in Competing Business

As at 31 December 2011, none of the directors of the Company or their respective associates had any competing interests in any business, which competes or may compete, either directly or indirectly with the businesses of the Company pursuant to the Listing Rules.

Directors' Rights to Acquire Shares or Debentures

Save as for the share option schemes mentioned above, at no time during the year was the Company, or any of its holding companies, 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.

Connected Transaction

During the year, the Group has entered into the following connected transaction which is required to be disclosed in accordance with Chapter 14A of the Listing Rules:

On 20 December 2010, Green Motherlode Limited as purchaser (the "Purchaser") and the Company as vendor signed a disposal agreement (as amended and supplemented by the supplemental disposal agreement dated 21 January 2011) (the "Disposal Agreement") whereby the Purchaser agreed to purchase and the Company agreed to sell the entire issued share capital of Arnhold (B.V.I.) Limited (the "Disposal Company") and all companies in which the Disposal Company has interests (collectively the "Disposal Group") at a cash consideration of HK$149 million (the "Disposal"). As a result of the Disposal, the Company and its remaining subsidiaries are principally engaged in tiles trading and engineering operations while the Disposal Group carries on the rest of the business operations of the Group, i.e. bathrooms trading; marble and bathroom products manufacturing and export; and bathroom products retail and renovation operations.

As the Purchaser is owned as to 50% by Green Family Holdings Limited, which is in turn wholly owned by Mr. Michael John Green, who was a director and a substantial shareholder of the Company at the time of signing the Disposal Agreement, and as to 50% by Mrs. Judith Leslie Green, the spouse of Mr. Michael John Green, the Purchaser is therefore a connected person of the Company. The Disposal constituted a major and connected transaction for the Company and subject to reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules. The Company has accordingly published announcements in respect of the Disposal on 28 December 2010, 18 January 2011, 21 January 2011 and 24 January 2011 and issued a circular dated 24 January 2011. The Disposal Agreement and the transactions contemplated thereunder were approved by the independent shareholders of the Company at a special general meeting held on 17 February 2011.

Substantial Interests in the Share Capital of the Company

As at 31 December 2011, the following persons/corporations had interests in five per cent or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares or underlying shares of the Company as notified to the Company are set out below:

Ordinary shares of HK$0.10 each of the Company

		Number of ordinary shares held/ Approximate % of issued share capital				
Name	**Capacity**	**Long Position**	**%**	**Short Position**	**%**	**Note**
Quick Glitter Limited	Beneficial owner	88,406,244	37.15%	–	–	2
Mr. Ho, Lawrence Yau Lung	Interest of controlled corporation	88,406,244	37.15%	–	–	2
Ms. Lo Sau Yan, Sharen	Interest of spouse	88,406,244	37.15%	–	–	3
Mr. Wang, John Peter Ben	Beneficial owner	30,749,998	12.92%	–	–	–
Mr. Zhang Jian Hua	Beneficial owner	19,218,748	8.08%	–	–	–
Mr. Ko Chun Fung, Henry	Beneficial owner	15,205,383	6.39%	–	–	–
Ms. Liu Suk Ling, Florence	Interest of spouse	15,205,383	6.39%	–	–	4
Mr. Xu Yi	Beneficial owner	15,374,999	6.46%	–	–	–
Ms. Wang Yujuan	Interest of spouse	15,374,999	6.46%	–	–	5

Notes:

1. As at 31 December 2011, the total number of issued shares of the Company was 237,939,584.

2. Quick Glitter Limited is wholly owned by Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by Quick Glitter Limited.

3. Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and was deemed to be interested in the shares of the Company through the interest of her spouse, Mr. Ho, Lawrence Yau Lung, under the SFO.

4. Ms. Liu Suk Ling, Florence is the spouse of Mr. Ko Chun Fung, Henry and was deemed to be interested in the shares of the Company through the interest of her spouse, Mr. Ko Chun Fung, Henry, under the SFO.

5. Ms. Wang Yujuan is the spouse of Mr. Xu Yi and was deemed to be interested in the shares of the Company through the interest of her spouse, Mr. Xu Yi , under the SFO.

Save as disclosed above, as at 31 December 2011, the Company has not been notified of any other interests or short position in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2011, the Company had not redeemed any of its shares and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

Public Float

Based on the information that was publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules save for the period from 21 March 2011 to 14 April 2011. After the closure of the general offer on 21 March 2011, the Offeror held a total of 192,873,871 Shares, representing approximately 81.06% of the issued share capital of the Company. On 15 April 2011, the Offeror has distributed in specie of all the 192,873,871 Shares held by it to its ultimate beneficial owners in proportionate to their respective shareholdings in the Offeror. After the distribution became effective on 15 April 2011, the Company restored the minimum public float requirement set out under Rule 8.08(1)(a) of the Listing Rules.

Corporate Governance

The Company is committed to maintaining a high corporate governance standard so as to ensure better transparency and protection of shareholders' interests. The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2011 except the code provision A.2.1. in respect of the separation of the roles of the Chairman and Chief Executive Officer, code provision A.4.1 in respect of the appointment of non-executive directors for specific terms and code provision A.5.4 in respect of the compliance of the Model Code by directors.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 10 to 17 of this annual report.

Report of the Directors

Emolument Policy

The employees of the Group are selected, remunerated and promoted 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 Company's operating results, individual performance and comparable market standards.

The Company has adopted a share option scheme as an incentive to participants including directors, employees and consultants, details of the scheme is set out under the section headed "Share Options" of this report.

Audit Committee

The Company's audit committee is composed of three independent non-executive directors. The primary duties of the audit committee are to (i) review the Group's annual reports, financial statements, interim reports and to provide advice and comments thereon to the Board; and (ii) review and supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, discussed internal controls and financial reporting matters and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2011 with the directors.

Auditor

The financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Wang, John Peter Ben
Chairman and Executive Director

Hong Kong, 22 March 2012

TO THE SHAREHOLDERS OF SUMMIT ASCENT HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Summit Ascent Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 87, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 Section 90 of the Companies Act 1981 of Bermuda 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 judgement, 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.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2012

Consolidated Statement of Comprehensive Income

	Note	For the year ended 31 December 2011 HK$'000	2010 HK$'000
CONTINUING OPERATIONS			
Turnover	5	**72,333**	89,034
Cost of sales	6	**(56,413)**	(70,703)
Gross profit		**15,920**	18,331
Other revenues		**171**	–
Operating expenses	7	**(12,772)**	(17,020)
Operating profit		**3,319**	1,311
Finance income	8	**–**	80
Profit before income tax		**3,319**	1,391
Income tax expense	12	**(1,012)**	–
Profit for the year from continuing operations	13	**2,307**	1,391
DISCONTINUED OPERATIONS			
(Loss)/profit for the year from discontinued operations	14	**(332)**	9,955
PROFIT FOR THE YEAR, ATTRIBUTABLE TO SHAREHOLDERS		**1,975**	11,346
Other comprehensive income			
Surplus on revaluation of available-for-sale financial assets attributable to discontinued operations		**–**	234
Total comprehensive income for the year, attributable to shareholders		**1,975**	11,580
Basic earnings/(loss) per share *(HK cents)*	15		
– continuing operations		**0.97**	0.60
– discontinued operations		**(0.14)**	4.30
		0.83	4.90
Diluted earnings/(loss) per share *(HK cents)*	15		
– continuing operations		**0.97**	0.60
– discontinued operations		**(0.14)**	4.29
		0.83	4.89
Proposed dividend	16	**–**	196,990
Proposed dividend per share *(HK cents)*	16	**–**	82.8

The notes on pages 39 to 87 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
CURRENT ASSETS			
Inventories	18	**216**	5,358
Trade and other receivables	19	**14,628**	15,437
Derivative financial instruments	20	**–**	184
Cash and cash equivalents	21	**28,877**	334
		43,721	21,313
Assets of disposal group classified as held for sale	14	**–**	307,212
Total current assets		**43,721**	328,525
CURRENT LIABILITIES			
Trade and other payables	22	**9,010**	18,447
Derivative financial instruments	20	**–**	272
Provisions	23	**219**	255
Tax payables		**1,012**	–
		10,241	18,974
Liabilities of disposal group classified as held for sale	14	**–**	84,664
Total current liabilities		**10,241**	103,638
NET ASSETS		**33,480**	224,887
CAPITAL AND RESERVES			
Share capital	24	**23,794**	23,640
Reserves			
Proposed special dividend		**–**	196,990
Others		**9,686**	4,257
		9,686	201,247
SHAREHOLDERS' FUNDS		**33,480**	224,887

Approved by the board of directors on 22 March 2012.

Wang, John Peter Ben	**Tyen Kan Hee, Anthony**
Director	*Director*

The notes on pages 39 to 87 are an integral part of these consolidated financial statements.

Balance Sheet

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**5,000**	–
CURRENT ASSETS			
Trade and other receivables	19	**211**	829
Amount due from a subsidiary	17	**3,065**	111,599
Cash and cash equivalents	21	**26,842**	304
		30,118	112,732
Non-current assets held for sale	17	**–**	89,468
Total current assets		**30,118**	202,200
CURRENT LIABILITIES			
Trade and other payables	22	**1,502**	653
Amount due to a subsidiary		**5,000**	–
		6,502	653
NET CURRENT ASSETS		**23,616**	201,547
NET ASSETS		**28,616**	201,547
CAPITAL AND RESERVES			
Share capital	24	**23,794**	23,640
Reserves	25	**4,822**	177,907
SHAREHOLDERS' FUNDS		**28,616**	201,547

Approved by the board of directors on 22 March 2012.

Wang, John Peter Ben	**Tyen Kan Hee, Anthony**
Director	*Director*

The notes on pages 39 to 87 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH GENERATED FROM CONTINUING OPERATIONS		
Profit before income tax excluding discontinued operations	**3,319**	1,391
Interest income	**–**	(80)
Net fair value loss on derivative financial instruments	**–**	1,039
Share-based compensation benefits	**1,308**	–
Provision for stock obsolescence	**209**	15
(Write back of provision)/provision for long service payments	**(11)**	85
Provision for employee leave entitlements	**20**	17
CHANGES IN WORKING CAPITAL	**4,845**	2,467
Decrease/(increase) in inventories	**4,933**	(3,288)
Decrease/(increase) in trade and other receivables	**721**	(4,432)
(Decrease)/increase in trade and other payables	**(3,211)**	8,819
Decrease in provisions	**(45)**	(292)
CASH GENERATED FROM OPERATIONS	**7,243**	3,274
Interest received	**–**	80
Net settlement on derivative financial instruments	**–**	(1,104)
NET CASH GENERATED FROM OPERATING ACTIVITIES (CONTINUING OPERATIONS)	**7,243**	2,250
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES (DISCONTINUED OPERATIONS)	**(2,415)**	9,555
	4,828	11,805
CASH FLOWS FROM INVESTING ACTIVITIES		
Settlement from former subsidiaries	**72,990**	–
Proceeds from disposal of subsidiaries	**129,687**	–
NET CASH GENERATED FROM INVESTING ACTIVITIES (CONTINUING OPERATIONS)	**202,677**	–
NET CASH USED IN INVESTING ACTIVITIES (DISCONTINUED OPERATIONS)	**(59,012)**	(28,154)
	143,665	(28,154)

Consolidated Cash Flow Statement

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	**2,300**	6,528
Dividend paid	**(196,990)**	(12,680)
NET CASH USED IN FINANCING ACTIVITIES (CONTINUING OPERATIONS)	**(194,690)**	(6,152)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(46,197)**	(22,501)
Cash and cash equivalents at the beginning of the year	**75,074**	97,575
Cash and cash equivalents at the end of the year	**28,877**	75,074
Cash and cash equivalents attributable to continuing operations	**28,877**	334
Cash and cash equivalents attributable to discontinued operations	**–**	74,740
Cash and cash equivalents at the end of the year	**28,877**	75,074

The notes on pages 39 to 87 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital HK$'000	Share premium HK$'000	Retained earnings HK$'000	Contributed surplus HK$'000	Available-for-sale investment reserve HK$'000	Share-based compensation reserve HK$'000	Total HK$'000
At 1 January 2010	22,590	92,949	99,212	808	712	3,007	219,278
Comprehensive income							
Profit attributable to shareholders	–	–	11,346	–	–	–	11,346
Other comprehensive income:							
Surplus on revaluation	–	–	–	–	234	–	234
Total comprehensive income	–	–	11,346	–	234	–	11,580
Share option scheme:							
Issuance of ordinary shares	1,050	5,478	–	–	–	–	6,528
Transfer among reserves	–	–	2,100	–	–	(2,100)	–
Dividend relating to 2009 and paid in May 2010	–	–	(12,680)	–	–	–	(12,680)
Share-based compensation benefits	–	–	–	–	–	181	181
Total transactions with owners	1,050	5,478	(10,580)	–	–	(1,919)	(5,971)
At 31 December 2010	23,640	98,427	99,978	808	946	1,088	224,887
Representing:							
Retained earnings attributable to shareholders at 31 December 2010			99,978				
At 1 January 2011	23,640	98,427	99,978	808	946	1,088	224,887
Comprehensive income							
Profit attributable to shareholders	–	–	1,975	–	–	–	1,975
Total comprehensive income	–	–	1,975	–	–	–	1,975
Share option scheme:							
Issuance of ordinary shares	154	2,146	–	–	–	–	2,300
Transfer among reserves (note 25)	–	(98,427)	99,515	–	–	(1,088)	–
Release of reserves upon disposal of subsidiaries	–	–	1,754	(808)	(946)	–	–
Special dividend paid in February 2011	–	–	(196,990)	–	–	–	(196,990)
Share-based compensation benefits	–	–	–	–	–	1,308	1,308
Total transactions with owners	154	(96,281)	(95,721)	(808)	(946)	220	(193,382)
At 31 December 2011	**23,794**	**2,146**	**6,232**	**–**	**–**	**1,308**	**33,480**
Representing:							
Retained earnings attributable to shareholders at 31 December 2011			**6,232**				

The Board did not recommend the payment of any final dividend for the year ended 31 December 2011 (2010: Nil).

On 22 February 2011, the Board resolved that a special dividend of HK$0.8279 per share be distributed to the shareholders whose names appeared on the registrar of members of the Company on 16 February 2011. The special dividend was paid on 25 February 2011.

1 General Information

The principal activities of Summit Ascent Holdings Limited (formerly known as "Arnhold Holdings Limited" (the "Company") and its subsidiaries (together the "Group") are tiles trading and engineering operations.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on the main board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 22 March 2012.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value; and assets and liabilities of disposal group classified as held for sale, which are carried at lower of carrying amount and fair value less cost to sell.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

The applicable HKFRSs include all applicable Hong Kong Accounting Standards ("HKASs") and Hong Kong International Financial Reporting Interpretations ("HK(IFRIC)s") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

(a) New and amended standards adopted by the Group

The HKICPA has issued a number of revised/amended HKFRSs and new interpretations that are first effective for the financial year beginning 1 January 2011. Of these, the following developments are relevant to the Group's financial statements:

HKFRSs (amendment)	Improvements to IFRSs 2010
HKFRS 1 (amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKAS 24 (revised)	Related party disclosures
HKAS 32 (amendments)	Classification of rights issues
HK(IFRIC)-Int 14 (amendment)	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (cont'd)

2.1 Basis of preparation (cont'd)

(a) New and amended standards adopted by the Group (cont'd)

The adoption of these new and revised standards, amendments and interpretations has no material impact on the Group's results and financial position for the current or prior period.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standard, revised/amendments to standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods.

		Effective date
HKFRS 1 (amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKFRS 7 (amendment)	Disclosures – transfers of financial assets	1 July 2011
HKFRS 7 (amendment)	Disclosures – offsetting of financial assets and financial liabilities	1 January 2013
HKFRS 9	Financial instruments	1 January 2015
Additions to HKFRS 9	Financial instruments – financial liabilities	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 1 (amendment)	Presentation of financial statements	1 July 2012
HKAS 12 (amendments)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (2011)	Employee benefits	1 January 2013
HKAS 27 (2011)	Separate financial statements	1 January 2013
HKAS 28 (2011)	Investments in associates and joint ventures	1 January 2013
HKAS 32 (amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine	1 January 2015

The directors anticipate that the adoption of these new and revised standards, amendments to standards and interpretation will not result in a significant impact on the results and financial position of the Group.

2 Summary of Significant Accounting Policies (cont'd)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

2.3 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (note 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2 Summary of Significant Accounting Policies (cont'd)

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Company's and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(c) *Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

2 Summary of Significant Accounting Policies (cont'd)

2.6 Property, plant and equipment

Land and buildings comprise mainly leasehold land classified as finance lease, a factory, warehouses and offices. Buildings and all other property, plant and equipment are shown at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	50 years
Leasehold improvements	2 – 5 years
Furniture and equipment	3 – 5 years
Plant and machinery	5 – 10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating expenses, in the consolidated statement of comprehensive income.

2.7 Lease prepayments

Lease prepayments represent interests in leasehold land classified as operating lease and land use rights and are carried at cost less accumulated amortisation and impairment losses. Amortisation is provided to write off the cost of lease prepayments on a straight-line basis over the respective lease periods.

2 Summary of Significant Accounting Policies (cont'd)

2.8 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.9 Impairment of investments in subsidiaries and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of Significant Accounting Policies (cont'd)

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (note 2.13).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

2 Summary of Significant Accounting Policies (cont'd)

2.10 Financial assets (cont'd)

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through consolidated profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented in the consolidated statement of comprehensive income within 'cost of sales' in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income and accumulated in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments accumulated in equity are reclassified in the consolidated statement of comprehensive income as gains or losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

The Group assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of comprehensive income – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

2 Summary of Significant Accounting Policies (cont'd)

2.11 Derivative financial instruments

Derivatives are initially recognised at fair value on the date the financial derivative contracts are entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The changes in fair value of qualified hedging instruments are recognised in equity. For derivative instruments that do not qualify for hedge accounting, changes in fair value are recognised immediately in the consolidated statement of comprehensive income.

2.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula. The cost of finished goods and work in progress comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet, if any.

2.15 Share capital

Ordinary shares are classified as equity.

2 Summary of Significant Accounting Policies (cont'd)

2.16 Borrowings

Borrowings, when appropriate, are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 Summary of Significant Accounting Policies (cont'd)

2.18 Current and deferred income tax (cont'd)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.21 Employee benefits

(a) Long service payments

Provision for long service payments is recognised for the best estimate of the long service payments that are required to be made to the employees of the Group in respect of their services to date less any amounts that would be expected to be met out of the Group's retirement schemes.

2 Summary of Significant Accounting Policies (cont'd)

2.21 Employee benefits (cont'd)

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made by the Group for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity are not recognised until the time of leave.

(c) *Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) *Pension obligations*

The Group operate defined contribution pension schemes regulated under the Occupational Retirement Schemes Ordinance ("ORSO") and AIA-JF Premium Mandatory Provident Fund Scheme ("MPF") (collectively known as "Retirement Schemes"). The Group pays contributions to trustee-administered funds. Contributions to the Retirement Schemes by the Group and employees are calculated as a percentage of the employees' basic salaries. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(e) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2 Summary of Significant Accounting Policies (cont'd)

2.22 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees and consultants as consideration for equity instruments (options) of the Group. The fair value of the employee and consultant services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees and consultants of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee and consultant services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.23 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 Summary of Significant Accounting Policies (cont'd)

2.24 Revenue recognition (cont'd)

Revenue from the sale of goods is recognised when the goods are delivered at customers' premises which is taken to be the point in time when customers have accepted the goods and the related risks and rewards of ownership.

Revenue from sale of services is recognised in the accounting period in which the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised in the consolidated statement of comprehensive income in equal instalments over the period of the lease.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial Risk Management

3.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures.

Under the Group's risk management program, each department identifies and documents their key tasks and the risk associated with their tasks. The risks are summarized in a risk assessment program where they are graded by likelihood and consequences and where the procedures and controls for management risks are recorded.

(a) Market risk

(i) Foreign exchange risk

The operations of the Group are exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. To mitigate risks arising from fluctuations in exchanges rates, forward foreign exchange contracts are used to monitor the currency exposure of the Group if necessary.

The Group's risk management policy is to monitor the anticipated cash flows (mainly purchase of merchandise and inventory) in each major foreign currency for the subsequent 12 months. Forward foreign exchange contracts are generally used to hedge the purchase costs to confirmed orders.

3 Financial Risk Management (cont'd)

3.1 Financial risk management (cont'd)

(a) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

At 31 December 2011, if the HK dollar had weakened/strengthened by 3% against the Euro with all other variables held constant, pre-tax profit for the year would have been HK$29,000 (2010: attributable to continuing operations of HK$247,000 and attributable to discontinued operations of HK$1,714,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated cash and cash equivalents and foreign exchange losses/gains on translation of Euro-denominated trade payables offset by gains/losses on derivative financial instruments at fair value through profit or loss.

(ii) Interest rate risk

The Group has no significant interest-bearing assets and liabilities except for bank deposits. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

Interest rate risk mainly arises from bank deposits at variable interest rate which are subject to cash flow interest rate risk. The directors are of the opinion that any reasonable changes in interest rates would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented for interest rate risk.

(b) Credit risk

The Group has no significant concentration of credit risk. The credit risk of the Group mainly arises from cash and cash equivalents, other receivables and credit exposures to customers.

The Group has policies that limit the amount of credit exposure to any financial institution. All bank deposits are held with reputable financial institutions.

The Group has policies in place to ensure that sales of goods and services are provided to customers with an appropriate credit history. The Group's credit control team assesses on each of the Group's individual customers and determines the respective credit limits based on, among other factors, the trading and settlement history and the financial background of each individual customer.

Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the relevant debtors. The Group's historical experience in collection of these balances falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible balances has been made.

(c) Liquidity risk

Management monitors rolling cashflow forecasts of the Group's to ensure it has sufficient cash to meet operational needs. All trade payables and customers' deposits and bank deposits as at 31 December 2011 and 2010 are expected to be settled or matured within one year. The impact of discounting is not significant on the basis of expected cash flow.

3 Financial Risk Management (cont'd)

3.1 Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis in less than 1 year based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group	**2011** **HK$'000**	2010 Continuing operations HK$'000	2010 Discontinued operations HK$'000	2010 Total HK$'000
Forward foreign exchange contracts:				
Outflow	–	(16,553)	(45,787)	(62,340)
Inflow	–	16,465	45,545	62,010

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group consists of share capital, retained earnings, share premium and share-based compensation reserve.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus net debt.

The Group had no bank borrowings and no gearing as at 31 December 2011 and 2010.

3 Financial Risk Management (cont'd)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2011, the Group did not have any financial assets or financial liabilities in the balance sheet which is measured at fair value.

The following table presents the assets and liabilities attributable to continuing operations that are measured at fair value at 31 December 2010.

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000
Assets			
Financial assets at fair value through profit or loss			
– Derivative financial instruments	–	184	–
Total assets	–	184	–
Liabilities			
Financial liabilities at fair value through profit or loss			
– Derivative financial instruments	–	272	–
Total liabilities	–	272	–

3 Financial Risk Management (cont'd)

3.3 Fair value estimation (cont'd)

The following table presents the assets and liabilities attributable to discontinued operations that are measured at fair value at 31 December 2010.

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000
Assets			
Financial assets at fair value through profit or loss			
– Listed fund investments	22,769	–	–
– Derivative financial instruments	–	509	–
Available-for-sale financial assets			
– non-current portion	–	3,109	–
Total assets	22,769	3,618	–
Liabilities			
Financial liabilities at fair value through profit or loss			
– Derivative financial instruments	–	752	–
Total liabilities	–	752	–

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of receivables

The impairment of receivables is assessed based on the evaluation of the collectibility and ageing analysis, including the creditworthiness and the collection history of each customer. Judgement is required when assessing the realisability of these receivables.

5 Segment Information

The principal activities of the Group's continuing operation are tiles trading and engineering operations, while discontinued operations included the following activities: (i) trading, (ii) manufacturing and export, and (iii) retail and renovation. The principal activities of the subsidiaries are set out in note 17 of the consolidated financial statements.

Revenues recognised in the consolidated statement of comprehensive income are as follows:

	For the year ended 31 December					
	2011			2010		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Turnover						
Sales of goods	**72,333**	**20,480**	**92,813**	89,034	290,712	379,746
Other revenues						
Gross rental income from investment property	**–**	**–**	**–**	–	15	15
Sundry income	**171**	**100**	**271**	–	1,850	1,850
	171	**100**	**271**	–	1,865	1,865
Total revenues	**72,504**	**20,580**	**93,084**	89,034	292,577	381,611

The analysis of the Group's performance for the year from the continuing and discontinued operations is from both a business and geographical perspective. From a business perspective, management assesses the performance of (i) trading, (ii) manufacturing and export and (iii) retail and renovation operations. Trading is further evaluated on a geographic basis (Hong Kong and Macau, and Mainland China).

The Group assesses the performance of the operating segments mainly based on a measure of gross profit. Finance income and income tax expenses are not allocated to segments, as these types of activities are managed on a central basis.

Segment assets comprise trade receivables and inventories.

5 Segment Information (cont'd)

The segment information for the year ended 31 December 2011 is as follows:

	Continuing operations	Discontinued operations						Total
	Trading in Hong Kong and Macau HK$'000	Trading in Hong Kong and Macau HK$'000	Trading in Mainland China HK$'000	Manufacturing and export HK$'000	Retail and renovation HK$'000	Corporate HK$'000	Sub-total HK$'000	HK$'000
Total turnover	**72,333**	**7,291**	**302**	**5,448**	**7,686**	**–**	**20,727**	**93,060**
Inter-segment turnover	**–**	**–**	**–**	**(247)**	**–**	**–**	**(247)**	**(247)**
Turnover (from external customers)	**72,333**	**7,291**	**302**	**5,201**	**7,686**	**–**	**20,480**	**92,813**
Gross profit	**15,920**	**990**	**60**	**1,611**	**2,781**	**–**	**5,442**	**21,362**
Segment assets	**14,538**	**–**	**–**	**–**	**–**	**–**	**–**	**14,538**

The segment information for the year ended 31 December 2010 is as follows:

	Continuing operations	Discontinued operations						Total
	Trading in Hong Kong and Macau HK$'000	Trading in Hong Kong and Macau HK$'000	Trading in Mainland China HK$'000	Manufacturing and export HK$'000	Retail and renovation HK$'000	Corporate HK$'000	Sub-total HK$'000	HK$'000
Total turnover	89,155	62,928	41,484	131,767	102,191	–	338,370	427,525
Inter-segment turnover	(121)	(215)	–	(47,443)	–	–	(47,658)	(47,779)
Turnover (from external customers)	89,034	62,713	41,484	84,324	102,191	–	290,712	379,746
Gross profit	18,331	11,147	8,961	24,331	32,433	–	76,872	95,203
Depreciation of property, plant and equipment	–	(102)	(79)	(2,570)	(1,349)	(2,232)	(6,332)	(6,332)
Amortisation of lease prepayments	–	–	–	–	–	(87)	(87)	(87)
Segment assets	19,376	29,062	24,080	27,103	26,455	–	106,700	126,076

5 Segment Information (cont'd)

A reconciliation of gross profit to total profit before income tax is provided as follows:

	For the year ended 31 December					
	2011			2010		
	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Gross profit	15,920	5,442	21,362	18,331	76,872	95,203
Other revenues	171	100	271	–	1,865	1,865
Depreciation of property, plant and equipment	–	–	–	–	(6,332)	(6,332)
Amortisation of lease prepayments	–	–	–	–	(87)	(87)
Provision for impairment of receivables	–	(109)	(109)	–	(251)	(251)
Provision for stock obsolescence	(209)	(37)	(246)	(15)	(432)	(447)
Other expenses	(12,563)	(5,433)	(17,996)	(17,005)	(59,683)	(76,688)
Operating profit/(loss)	3,319	(37)	3,282	1,311	11,952	13,263
Finance income	–	34	34	80	264	344
Profit/(loss) before income tax	3,319	(3)	3,316	1,391	12,216	13,607
Loss on disposal of discontinued operations	–	(329)	(329)	–	–	–
	3,319	(332)	2,987	1,391	12,216	13,607

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December	
	2011 HK$'000	2010 HK$'000
Total segment assets	14,538	126,076
Unallocated:		
Property, plant and equipment	–	89,893
Lease prepayments	–	3,977
Available-for-sale financial assets	–	3,109
Prepayments and other receivables	306	6,238
Deferred income tax assets	–	696
Financial assets at fair value through profit and loss	–	22,769
Cash and cash equivalents	28,877	75,074
Derivative financial instruments	–	693
Total assets	43,721	328,525

6 Cost of Sales

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Cost of inventories sold	**56,413**	69,663
Net fair value loss on derivative financial instruments	**–**	1,040
	56,413	70,703

7 Operating Expenses

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Administrative expenses:		
Employee benefit expenses (note 9)	**8,812**	12,480
Operating lease rentals on properties paid to third parties	**478**	874
Share-based compensation benefits to consultants (note 24)	**478**	–
Travelling expenses	**194**	285
Entertainment expenses	**39**	89
Stamps, postage and telephone	**45**	111
Auditor's remuneration	**590**	259
Legal and professional fees	**473**	299
Advertising and promotion expenses	**148**	164
	11,257	14,561
Other operating expenses:		
Provision for stock obsolescence	**209**	15
(Write back of provision)/provision for long service payments	**(11)**	85
Provision for employee leave entitlements	**20**	17
Sundry expenses	**1,297**	2,342
	1,515	2,459
	12,772	17,020

8 Finance Income

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Finance income		
Interest income from bank deposits	–	80

9 Employee Benefit Expenses

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Wages and salaries	7,716	11,892
Retirement Schemes contributions (note 11)	266	588
Share-based compensation benefits (note 24)	830	–
	8,812	12,480

10 Directors' and Senior Management's Emoluments

(a) Directors' remuneration

The aggregate amounts of emoluments paid or payable to directors (including emoluments charged to the continuing and discontinued operations) pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Fees	622	750
Salaries and other benefits	497	5,646
Discretionary bonus	–	5
Year end bonus	–	497
Retirement Schemes contributions	45	513
Share-based compensation benefits	596	181
	1,760	7,592

10 Directors' and Senior Management's Emoluments (cont'd)

(a) Directors' remuneration (cont'd)

Included in the directors' remuneration were fees of HK$484,000 (2010: HK$750,000) paid to non-executive directors and independent non-executive directors during the year.

The remuneration of every director for the year ended 31 December 2011 is set out below:

Name of Director	Fee HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Year end bonus HK$'000	Pension scheme contribution HK$'000	Share-based compensation benefits HK$'000	Other benefits in kind HK$'000	Total HK$'000
Wang, John Peter Ben (i)	138	–	–	–	–	149	–	287
Tsui Yiu Wa, Alec (i)	111	–	–	–	–	149	–	260
Pang Hing Chung, Alfred (i)	92	–	–	–	–	149	–	241
Tyen Kan Hee, Anthony (i)	111	–	–	–	–	149	–	260
Michael John Green (ii)	–	139	–	–	14	–	–	153
Daniel George Green (ii)	–	198	–	–	15	–	–	213
Lai Ka Tak, Patrick (ii)	–	160	–	–	16	–	–	176
Christopher John David Clarke (ii)	34	–	–	–	–	–	–	34
Simon Murray (ii)	34	–	–	–	–	–	–	34
Owen Mark Lewellin Rhys (ii)	34	–	–	–	–	–	–	34
Thaddeus Thomas Beczak (ii)	34	–	–	–	–	–	–	34
Lim Ghee Keong (ii)	34	–	–	–	–	–	–	34
	622	497	–	–	45	596	–	1,760

(i) The directors appointed on 25 March 2011.

(ii) The directors resigned on 24 March 2011.

The remuneration of every director for the year ended 31 December 2010 is set out below:

Name of Director	Fee HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Year end bonus HK$'000	Pension scheme contribution HK$'000	Share-based compensation benefits HK$'000	Other benefits in kind HK$'000	Total HK$'000
Michael John Green	–	1,669	–	139	167	–	87	2,062
Daniel George Green	–	1,391	–	198	178	181	576	2,524
Lai Ka Tak, Patrick	–	1,923	5	160	168	–	–	2,256
Augustus Ralph Marshall	54	–	–	–	–	–	–	54
Christopher John David Clarke	150	–	–	–	–	–	–	150
Simon Murray	150	–	–	–	–	–	–	150
Owen Mark Lewellin Rhys	150	–	–	–	–	–	–	150
Thaddeus Thomas Beczak	150	–	–	–	–	–	–	150
Lim Ghee Keong	96	–	–	–	–	–	–	96
	750	4,983	5	497	513	181	663	7,592

10 Directors' and Senior Management's Emoluments (cont'd)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, one (2010: three) were directors whose emoluments are disclosed in note (a) above. The highest emoluments payable to the remaining four (2010: two) individuals during the year is as follows:

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**1,808**	1,799
Discretionary bonus	**1,542**	691
Year end bonus	**151**	156
Retirement Schemes contributions	**104**	161
Share-based compensation benefits	**116**	–
	3,721	2,807

The emoluments of the four (2010: two) individuals with the highest emoluments are within the following band:

	Number of individuals	
Emoluments' band	**2011**	2010
HK$1,500,001 – HK$2,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**–**	2
Nil – HK$1,000,000	**3**	–
	4	2

The Group usually determines and pays discretionary bonuses to employees (including directors) around January/February each year based on the actual financial results of the Group for the preceding year. The discretionary bonuses shown above therefore represent actual payments to the employees (including directors) during the current financial year in relation to performance for the preceding year.

11 Retirement Schemes

The Group's contributions to the ORSO Scheme were reduced by contributions forfeited on those employees who left the ORSO Scheme prior to vesting fully in the contributions. Forfeited contributions totalling HK$50,000 (2010: HK$295,000) were fully utilised during the year (note 9).

Contributions of HK$72,000 (2010: HK$306,000) were payable to the Retirement Schemes at the year-end.

12 Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Income tax expense charged to the consolidated statement of comprehensive income represents:

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**1,012**	–

The tax on the Group's profit before tax from continuing operations differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Profit before income tax from continuing operations	**3,319**	1,391
Calculated at a taxation rate of 16.5% (2010: 16.5%)	**548**	230
Effect of different taxation rates in other countries	**564**	81
Income not subject to tax	**(100)**	(13)
Utilisation of previously unrecognized tax losses	**–**	(298)
Income tax expense	**1,012**	–

13 Profit Attributable to Shareholders of the Company

The profit for the year of the Company attributable to shareholders was HK$20,451,000 (2010: loss of HK$489,000) (note 25).

14 Disposal of Subsidiaries and Discontinued Operations

On 20 December 2010, the Company entered into an agreement to sell its wholly owned subsidiary, Arnhold (B.V.I.) Limited (the "Disposal Company"), and all companies in which the Disposal Company has interests to Green Motherlode Limited, a company controlled by the Green family. Members of the Green family are beneficiaries of the Michael Green Family Trust, which was the controlling shareholder of the Company at the date of the transaction. As a result of this transaction, the Company and its remaining subsidiaries are principally engaged in tiles trading and engineering operations with the majority of the Group's other operations disposed of to the Green family. The transaction was completed on 22 February 2011.

a) The (loss)/profit for the year from discontinued operations is analysed as follows:

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
(Loss)/profit for the year from discontinued operations	**(3)**	9,955
Loss on disposal of discontinued operations	**(329)**	–
	(332)	9,955

14 Disposal of Subsidiaries and Discontinued Operations (cont'd)

a) The (loss)/profit for the year from discontinued operations is analysed as follows: (cont'd)

The results of discontinued operations are set out below:

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Turnover	**20,480**	290,712
Cost of sales	**(15,038)**	(213,840)
Gross profit	**5,442**	76,872
Other revenues	**100**	1,865
Operating expenses	**(5,579)**	(66,785)
Operating (loss)/profit	**(37)**	11,952
Finance income	**34**	264
(Loss)/profit before income tax	**(3)**	12,216
Income tax expense	**–**	(2,261)
(Loss)/profit for the year from discontinued operations	**(3)**	9,955
Cash flows from discontinued operations:		
Net cash (used in)/generated from operating activities	**(2,415)**	9,555
Net cash used in investing activities	**(59,012)**	(28,154)
Net cash flows	**(61,427)**	(18,599)

14 Disposal of Subsidiaries and Discontinued Operations (cont'd)

b) The net assets and liabilities of disposal group at the date of disposal were as follows:

	HK$'000
Consideration:	
Cash received	149,000
Analysis of assets and liabilities over which control was lost:	
NON-CURRENT ASSETS	
Property, plant and equipment	89,970
Lease prepayments	3,977
Available-for-sale financial assets	3,109
Deferred income tax assets	696
	97,752
CURRENT ASSETS	
Inventories	29,702
Trade and other receivables	47,969
Derivative financial instruments	1,076
Financial assets at fair value through profit and loss	8,719
Cash and cash equivalents	13,313
	100,779
CURRENT LIABILITIES	
Trade and other payables	52,062
Derivative financial instruments	403
Provisions	1,697
Current income tax liabilities	374
	54,536
NET CURRENT ASSETS	46,243

14 Disposal of Subsidiaries and Discontinued Operations (cont'd)

b) The net assets and liabilities of disposal group at the date of disposal were as follows: (cont'd)

	HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	143,995
NON-CURRENT LIABILITIES	
Deferred income tax liabilities	666
NET ASSETS DISPOSED OF	143,329
Loss on disposal of discontinued operations:	
Cash consideration	149,000
Net assets disposed of	(143,329)
Professional fees incurred	(6,000)
Loss on disposal	(329)
Net cash inflow arising on disposal:	
Cash consideration	149,000
Less: bank balances and cash disposed of	(13,313)
Less: professional fees paid	(6,000)
	129,687

The decrease in net assets value at disposal date compared to 31 December 2010 was mainly due to repayment of amount due to immediate holding company of approximately HK$46,799,000 which was eliminated as at 31 December 2010 on the consolidated balance sheet and dividend declared to immediate holding company of approximately HK$26,191,000 on 21 February 2012.

14 Disposal of Subsidiaries and Discontinued Operations (cont'd)

c) The analysis of the net assets of disposal group classified as held for sale as at 31 December 2010 was as follows:

	HK$'000
NON-CURRENT ASSETS	
Property, plant and equipment	89,893
Lease prepayments	3,977
Available-for-sale financial assets	3,109
Deferred income tax assets	696
	97,675
CURRENT ASSETS	
Inventories	32,872
Trade and other receivables	78,647
Derivative financial instruments	509
Financial assets at fair value through profit and loss	22,769
Cash and cash equivalents	74,740
	209,537
CURRENT LIABILITIES	
Trade and other payables	80,310
Derivative financial instruments	752
Provisions	1,696
Current income tax liabilities	1,240
	83,998
NET CURRENT ASSETS	125,539
TOTAL ASSETS LESS CURRENT LIABILITIES	223,214
NON-CURRENT LIABILITIES	
Deferred income tax liabilities	666
NET ASSETS	222,548

15 Earnings Per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Profit from continuing operations attributable to shareholders	**2,307**	1,391
(Loss)/profit from discontinued operations attributable to shareholders	**(332)**	9,955
	1,975	11,346
Weighted average number of ordinary shares in issue	**237,804,256**	231,645,589

(b) Diluted earnings per share

There is no dilution effect on potential ordinary shares for the year ended 31 December 2011.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares were relating to share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

15 Earnings Per Share (cont'd)

(b) Diluted earnings per share (cont'd)

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Profit from continuing operations attributable to shareholders	**2,307**	1,391
(Loss)/profit from discontinued operations attributable to shareholders	**(332)**	9,955
	1,975	11,346
Weighted average number of ordinary shares used in calculating basic earnings per share	**237,804,256**	231,645,589
Deemed issue of ordinary shares relating to share options	**–**	165,296
Weighted average number of ordinary shares used in calculating diluted earnings per share	**237,804,256**	231,810,885

16 Proposed Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2011 (2010: Nil).

On 22 February 2011, the Board resolved that a special dividend of HK$0.8279 per share be distributed to the shareholders whose names appeared on the registrar of members of the Company on 16 February 2011. The special dividend of HK$196,990,000 was paid on 25 February 2011.

17 Investments in Subsidiaries and Amount Due from a Subsidiary

	The Company	
	2011	2010
	HK$'000	HK$'000
Investments, at cost	**5,000**	–
Amount due from a subsidiary	**3,065**	111,599
Non-current assets held for sale	**–**	89,468
	8,065	201,067

17 Investments in Subsidiaries and Amount Due from a Subsidiary (cont'd)

The amount due from a subsidiary is unsecured, interest free, and repayable on demand. The carrying amount approximates its fair value and is denominated in Hong Kong dollar.

The following is a list of the principal subsidiaries as at 31 December 2011 and 2010:

Name of company	Place of incorporation/ operations	Group equity interest held by The Company 2011 %	The Company 2010 %	Subsidiaries 2011 %	Subsidiaries 2010 %	Issued and paid up ordinary share capital	Principal activities
Easy Market Trading Limited	British Virgin Islands	**100**	100	–	–	US$642,723, US$1 paid up	Investment holding
Arnhold Trading Limited	Hong Kong	–	–	**100**	100	HK$1	Trading
Anagram Company Limited	British Virgin Islands	–	–	–	100	US$1	Investment holding
Arnhold & Company, Limited	Hong Kong	–	–	–	100	HK$20,000,000	Trading and engineering
Arnhold & Company (Shanghai) Limited*	Shanghai	–	–	–	100	US$200,000	Trading
Arnhold (B.V.I.) Limited	British Virgin Islands/Hong Kong	–	100	–	–	US$1,000	Investment holding
Arnhold Design Centres Limited	Hong Kong	–	–	–	100	HK$2	Retailing
Arnhold Investments Limited	Hong Kong	–	–	–	100	Ordinary HK$1 Non-voting deferred HK$1,000,000	Investment holding
Arnhold (Macau) Limited	Macau	–	–	–	100	MOP25,000	Trading of construction materials
Arnhold Marble China Limited	Hong Kong	–	–	–	100	HK$12	Trading and management services
Arnhold Properties (B.V.I.) Limited	British Virgin Islands/Hong Kong	–	–	–	100	US$1	Property holding
Dongguan Arnhold Marble Limited*	Dongguan	–	–	–	100	RMB17,546,951	Natural stones processing
Palatial Properties Limited	British Virgin Islands/Hong Kong	–	–	–	100	US$1	Property holding
Arnhold Sourcing Limited	Hong Kong	–	–	–	100	HK$1	Trading and export of building materials

17 Investments in Subsidiaries and Amount Due from a Subsidiary (cont'd)

Name of company	Place of incorporation/ operations	Group equity interest held by The Company 2011 %	The Company 2010 %	Subsidiaries 2011 %	Subsidiaries 2010 %	Issued and paid up ordinary share capital	Principal activities
AHL Services Limited	Hong Kong	–	–	–	100	HK$1	Services for supply and installation of marble
AHL Stone Limited	British Virgin Islands/Hong Kong	–	–	–	100	US$1	Trading and export of marble product
上海鉉麗貿易有限公司*	Shanghai	–	–	–	100	RMB500,000	Retailing

* Wholly-owned foreign enterprise, which is incorporated in Mainland China and is a limited liability company.

18 Inventories

	The Group 2011 HK$'000	2010 HK$'000
Merchandise	**216**	5,358

The cost of inventories recognised as expense and included in cost of sales amounted to HK$56,413,000 for continuing operations and HK$15,038,000 for discontinued operations (2010: HK$69,663,000 for continuing operations and HK$207,413,000 for discontinued operations).

19 Trade and Other Receivables

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**2,145**	13,512	**–**	–
Retention receivables	**93**	506	**–**	–
Gross trade and retention receivables	**2,238**	14,018	**–**	–
Less: provision for impairment of receivables	**–**	–	**–**	–
Net trade and retention receivables	**2,238**	14,018	**–**	–
Prepayments and other receivables	**12,390**	1,419	**211**	829
	14,628	15,437	**211**	829

The carrying amounts of trade and other receivables approximate their fair values. The Group normally allows a credit period ranging from 30 to 90 days. Debtors with balances that are long overdue are normally requested to settle all outstanding balances before any further credit is granted. Included in other receivables is a balance due from a related company amounting to HK$12,084,000 (2010: Nil). Refer to note 28 for details.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

The ageing analysis of trade, retention and other receivables is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Current	**13,385**	8,749
One to three months overdue	**855**	5,423
Three to twelve months overdue	**388**	825
Overdue more than twelve months	**–**	440
Total trade, retention and other receivables	**14,628**	15,437

19 Trade and Other Receivables (cont'd)

The trade and retention receivables include in the above ageing are considered not impaired as these relate to a number of independent customers for whom there is no recent history of default. All the impaired overdue trade and retention receivables have been provided for. As at 31 December 2011 and 2010, no trade and retention receivables were impaired and provided for.

Movements on the provision for impairment of trade and retention receivables are as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**–**	991
Provision for receivable impairment	**–**	251
Receivables written off during the year as uncollectible	**–**	(629)
Unused amounts reversed	**–**	(362)
Provision for impairment attributable to discontinued operations	**–**	(251)
At 31 December	**–**	–

As at 31 December 2010 and 2011, other than the trade and retention receivables as disclosed above, all other classes within trade, retention and other receivables do not contain impaired assets.

The carrying amounts of the Group's trade, retention and other receivables are denominated in the following currencies:

	The Group	
	2011	2010
	HK$'000	HK$'000
HKD	**14,628**	15,159
USD	**–**	278
	14,628	15,437

Notes to the Consolidated Financial Statements

20 Derivative Financial Instruments

	The Group	
	2011	2010
	HK$'000	HK$'000
Forward foreign exchange contracts – held for trading		
– Assets	–	184
– Liabilities	–	(272)

These forward foreign contracts held by the Group have expired in 2011.

The net fair value gain or loss on forward foreign exchange contracts which were not qualified as hedges had been accounted for in the cost of sales in the consolidated statement of comprehensive income during the years ended 31 December 2010 and 2011.

21 Cash and Cash Equivalents

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**28,877**	334	**26,842**	304

21 Cash and Cash Equivalents (cont'd)

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	The Group	
	2011	2010
	HK$'000	HK$'000
HKD	**27,508**	329
EUR	**1,069**	–
USD	**300**	5
	28,877	334

22 Trade and Other Payables

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**1,158**	11,385	**–**	–
Accruals and other payables	**6,860**	4,477	**1,502**	653
Advances received from customers	**992**	2,585	**–**	–
	9,010	18,447	**1,502**	653

All of the above trade and other payables are expected to be settled within one year.

The carrying amounts of trade and other payables approximate their fair values.

22 Trade and Other Payables (cont'd)

The ageing analysis of trade and other payables is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Current	**292**	10,405
One to three months overdue	**502**	612
Overdue more than three months	**364**	368
Total trade payables	**1,158**	11,385
Accruals and other payables	**6,860**	4,477
Advances received from customers	**992**	2,585
	9,010	18,447

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	The Group	
	2011	2010
	HK$'000	HK$'000
HKD	**684**	3,153
RMB	**3**	3
EUR	**112**	7,547
USD	**19**	452
Other currencies	**340**	230
	1,158	11,385

23 Provisions

	Long service payments HK$'000	Employee leave entitlements HK$'000	Total HK$'000
At 1 January 2011	58	197	255
(Write-back)/additional provisions	(11)	176	165
Less: Amounts utilised	–	(156)	(156)
(Credited)/charged to consolidated statement of comprehensive income	(11)	20	9
Less: Amounts settled	–	(45)	(45)
Net effect on provisions	(11)	(25)	(36)
At 31 December 2011	**47**	**172**	**219**

24 Share Capital

Ordinary shares of HK$0.10 each	**Authorised** (Number of shares)	**Issued and fully paid** (Number of shares)	**Ordinary shares** HK$'000	**Share premium** HK$'000	**Total** HK$'000
At 1 January 2010	800,000,000	225,896,000	22,590	92,949	115,539
Share option scheme					
– proceeds from shares issued	–	10,500,000	1,050	5,478	6,528
At 31 December 2010	800,000,000	236,396,000	23,640	98,427	122,067
Transfer to retained earnings for dividend distribution	–	–	–	(98,427)	(98,427)
Share option scheme					
– proceeds from shares issued	–	1,543,584	154	2,146	2,300
At 31 December 2011	**800,000,000**	**237,939,584**	**23,794**	**2,146**	**25,940**

At an extraordinary general meeting held on 7 July 2011, the shareholders of the Company approved the adoption of a new share option scheme (the "2011 Share Option Scheme") and the termination of the share option scheme adopted on 11 July 2002 (the "2002 Share Option Scheme"). Under the 2011 Share Option Scheme, the directors of the Company may, at their discretion, grant to directors, employees and consultants share options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein.

24 Share Capital (cont'd)

(I) 2002 Share Option Scheme

Details of options granted to directors and employees under the 2002 Share Option Scheme were as follows:

Date of options granted	Outstanding options as at 1 January 2011	Exercised during the year	Cancelled during the year	Outstanding options as at 31 December 2011	Subscription price per share HK$
2 January 2008	**1,600,000**	**(1,543,584)**	**(56,416)**	**–**	1.490

Date of options granted	Outstanding options as at 1 January 2010	Granted during the year	Exercised during the year	Outstanding options as at 31 December 2010	Subscription price per share HK$
18 September 2003	2,300,000	–	(2,300,000)	–	0.500
19 November 2004	3,700,000	–	(3,700,000)	–	0.602
21 November 2005	4,500,000	–	(4,500,000)	–	0.700
2 January 2008	1,600,000	–	–	1,600,000	1.490
	12,100,000	–	(10,500,000)	1,600,000	

Based on the binomial option pricing model, the fair value of the Options granted on 18 September 2003, 19 November 2004, 21 November 2005 and 2 January 2008 are HK$0.248, HK$0.141, HK$0.180 and HK$0.680 respectively. However, since the valuation relies on subjective assumptions such as the estimated volatility of the share price, the binomial option pricing model does not necessarily provide a reliable measure of the fair value of the options. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

24 Share Capital (cont'd)

(I) 2002 Share Option Scheme (cont'd)

The weighted average assumptions used are as follows:

	Options granted on			
	2 January 2008	21 November 2005	19 November 2004	18 September 2003
Risk free interest rate (in %)	2.7	4.4	2.8	3.8
Expected life (in years)	4.5	5.0	6.0	6.9
Volatility (in %)	65.4	51.2	49.2	77.5
Expected dividend per share (HK cents)	4.4	4.4	4.4	4.4

At the date before the options were granted, 17 September 2003, 18 November 2004, 20 November 2005 and 31 December 2007, the market value per share were HK$0.500, HK$0.602, HK$0.700 and HK$1.490 respectively.

50% of the options granted can be exercisable starting two years from the grant date and the remaining 50% are exercisable starting three years from the grant date. All outstanding share options related to 2002 Share Option Scheme have been exercised or cancelled during the year. All share options has already been vested in prior years and therefore no charge on share-based compensation benefits related to 2002 Share Option Scheme recognised in current year.

(II) 2011 Share Option Scheme

Details of options granted to directors, employees and consultants under the 2011 Share Option Scheme were as follows:

Date of options granted	Outstanding options as at 1 January 2011	Granted during the year	Exercised/ lapsed/ cancelled during the year	Outstanding options as at 31 December 2011	Subscription price per share HK$
26 August 2011	–	4,050,000	–	4,050,000	1.770

During the year ended 31 December 2011, share options under the 2011 Share Option Scheme were granted on 26 August 2011. The estimated fair value of the options granted on that date is approximately HK$3,611,000. The fair value per option granted during the year ended 31 December 2011 is HK$0.892.

24 Share Capital (cont'd)

(II) 2011 Share Option Scheme (cont'd)

The fair value was calculated using the binomial option pricing model. The inputs into the model were as follows:

	Share options granted date 26 August 2011
Exercise price	HK$1.77
Expected volatility	55%
Expected life	10 years
Risk-free rate	1.757%

Expected volatility was determined by using the annualized volatility of the daily share prices of the Company prior to the issuance of the options. The variables and assumptions used in computing the fair value of the options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The share options granted on 26 August 2011 comprised 4,050,000 options, among which 1,000,000 options can be exercised in two instalments, 50% at any time between 26 August 2011 and 25 August 2021 and the remaining 50% at any time between 26 August 2012 and 25 August 2021. The remaining 3,050,000 options can also be exercised in two instalments, 50% at any time between 26 August 2012 and 25 August 2021 and the remaining 50% at any time between 26 August 2013 and 25 August 2021.

25 Reserves

The Company	Share premium HK$'000	Retained earnings HK$'000	Contributed surplus HK$'000	Share-based compensation reserve HK$'000	Total HK$'000
At 1 January 2010	92,949	14,394	75,067	3,007	185,417
Loss for the year	–	(489)	–	–	(489)
Dividend relating to 2009 and paid in May 2010	–	(12,680)	–	–	(12,680)
Share option scheme:					
Issuance of ordinary shares	5,478	–	–	–	5,478
Transfer among reserves	–	2,100	–	(2,100)	–
Share-based compensation benefits	–	–	–	181	181
At 31 December 2010	98,427	3,325	75,067	1,088	177,907
Representing:					
Retained earnings attributable to shareholders at 31 December 2010		3,325			
At 1 January 2011	98,427	3,325	75,067	1,088	177,907
Profit for the year	–	20,451	–	–	20,451
Special dividend paid in February 2011	–	(121,923)	(75,067)	–	(196,990)
Share option scheme:					
Issuance of ordinary shares	2,146	–	–	–	2,146
Transfer among reserves	(98,427)	99,515	–	(1,088)	–
Share-based compensation benefits	–	–	–	1,308	1,308
At 31 December 2011	**2,146**	**1,368**	**–**	**1,308**	**4,822**
Representing:					
Retained earnings attributable to shareholders at 31 December 2011		**1,368**			

25 Reserves (cont'd)

A memorandum of reduction of share premium of the Company was delivered to the Bermuda Registrar of Companies on 21 February 2011, resulting in cancellation of the entire amount standing to the credit of the Company's share premium account as at 31 December 2010 from HK$98,427,000 to Nil. Following this, the share premium was then classified as a distributable reserve.

The contributed surplus of the Group represented the excess of the nominal value of the shares of Arnhold (B.V.I.) Limited and the nominal value of the deferred shares of Arnhold Investments Limited acquired over the nominal value of the Company's shares issued in exchange therefore pursuant to the Group's re-organisation in December 1993.

The contributed surplus of the Company represented the undistributed excess of the net assets of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefore pursuant to the Group's reorganisation in December 1993. Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable.

26 Financial Instruments by Category

Group	Loans and receivables/ financial liabilities	At fair value through profit and loss	Total
	HK$'000	HK$'000	HK$'000
Assets as per consolidated balance sheet			
31 December 2011			
Trade, retention and other receivables (note 19)	**14,628**	**–**	**14,628**
Cash and cash equivalents (note 21)	**28,877**	**–**	**28,877**
Total	**43,505**	**–**	**43,505**
Assets as per consolidated balance sheet			
31 December 2010			
Derivative financial instruments (note 20)	–	184	184
Trade, retention and other receivables (note 19)	15,437	–	15,437
Cash and cash equivalents (note 21)	334	–	334
Total	15,771	184	15,955
Liabilities as per consolidated balance sheet			
31 December 2011			
Trade payables (note 22)	**1,158**	**–**	**1,158**
Liabilities as per consolidated balance sheet			
31 December 2010			
Trade payables (note 22)	11,385	–	11,385
Derivative financial instruments (note 20)	–	272	272
Total	11,385	272	11,657

26 Financial Instruments by Category (cont'd)

Company	Loans and receivables HK$'000
Assets as per balance sheet 31 December 2011	
Amount due from a subsidiary (note 17)	**3,065**
Cash and cash equivalents (note 21)	**26,842**
Total	**29,907**
Assets as per balance sheet 31 December 2010	
Amount due from a subsidiary (note 17)	111,599
Cash and cash equivalents (note 21)	304
Total	111,903

27 Commitments

(a) Commitments under operating lease

The Group leases various retail outlets and offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At 31 December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Land and buildings		
– Not later than one year	**514**	5,496
– Later than one year and not later than five years	**253**	3,137
	767	8,633

The Company had no significant operating leases at the end of the reporting period.

27 Commitments (cont'd)

(b) Forward exchange contracts

At 31 December 2011, the Group had no outstanding forward exchange contracts to buy EUR and JPY (2010: Buy EUR 1,489,000 at various rates totaling approximately HK$15,488,000 for continuing operations and EUR 4,119,111 at various rates totaling approximately HK$42,840,000 for discontinued operations; Buy JPY 11,277,000 at various rates totaling approximately HK$1,065,000 for continuing operations and JPY 31,193,000 at various rates totaling approximately HK$2,947,000 for discontinued operations).

28 Related Party Transactions

Prior to 20 December 2010, the directors regarded the Michael Green Family Trust, which owned 70.26% in the Company's shares, to be the controlling party of the Company. On the same date, the Company agreed to dispose of its major business operations to a company controlled by the Green's family. The transaction was completed on 22 February 2011 (note 14).

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	2011 HK$'000	2010 HK$'000
(a) Expense:		
Operating lease rentals paid to a related company	**246**	–
(b) Key management compensation		
Fee	**138**	–
Salaries and other emoluments	**497**	5,686
Discretionary bonus	**–**	5
Year end bonus	**–**	497
Retirement Schemes contributions	**45**	513
Share-based compensation benefits	**149**	181
(c) Year-end balances with a related company		
Receivables from a related company	**12,084**	–

The operating lease rentals for the year ended 2011 were paid to a related company jointly controlled by a key management personnel of a subsidiary on normal commercial terms and conditions. (2010: Nil)

The receivables from a related company arise mainly from sales receipts collected on behalf of a subsidiary of the Company. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from this related company. (2010: Nil)

Other Financial Information

Five-year Financial Summary

	2007 HK$'000	2008 HK$'000	2009 HK$'000	Continuing and discontinued operations 2010 HK$'000	**Continuing and discontinued operations 2011 HK$'000**
Results					
Turnover	387,904	418,221	364,089	379,746	**92,813**
Operating profit	16,727	22,579	2,734	13,263	**3,282**
Finance income	1,540	1,506	320	344	**34**
Finance costs	(146)	(93)	(11)	–	**–**
Share of loss of associates	(1,101)	–	–	–	**–**
Loss on disposal of subsidiaries	–	–	–	–	**(329)**
Profit before income tax	17,020	23,992	3,043	13,607	**2,987**
Income tax expenses	(215)	(2,079)	(1,851)	(2,261)	**(1,012)**
Profit attributable to shareholders	16,805	21,913	1,192	11,346	**1,975**
Proposed final/special dividend	9,913	12,391	12,424	196,990	**–**
Assets and liabilities					
Total assets	324,514	315,607	308,933	328,525	**43,721**
Total liabilities	(107,063)	(85,960)	(89,655)	(103,638)	**(10,241)**
Shareholders' funds	217,451	229,647	219,278	224,887	**33,480**