

# SUMMIT ASCENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)  
Stock Code: 102

## INTERIM REPORT 2012



SUMMIT ASCENT  
凱升控股有限公司 Holdings Limited

## REPORT OF THE DIRECTORS

The directors have pleasure in submitting the interim report and the unaudited condensed consolidated financial information of Summit Ascent Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2012 (the “Period”).

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Review of Operations

The Group’s turnover of the continuing operations for the Period was HK\$7 million with gross profit of HK\$1.9 million (2011: HK\$54.4 million and HK\$11.2 million respectively) since most of the sizable projects were delivered in 2011 after the group reorganization. Market sentiment remained fragile as economic growth in Hong Kong and the Mainland China declined recently. The potential changes in policies by the new government have caused concerns and anxieties among the developers. They had become more demanding in supplier selection and introducing more stringent tender requirements which limited our market coverage. To offset these negative implications, the Group continued its conservation management policy with operating expenses for the Period reduced to HK\$5 million (2011: HK\$8.1 million). The changes were mainly due to the saving in staff remuneration and reduction in provisions for stock and doubtful debts. As a result, the Group recorded a net loss of HK\$2.9 million for the Period, comparing to the net profit of HK\$2.2 million for the same period in 2011.

The Group’s outstanding orders on hand amounted to HK\$7.1 million reflecting the difficulties we faced (31 December 2011: HK\$9.1 million).

#### Segmental Information

The trading of tiles and engineering equipment is now the sole business of the Group, thus, segmental analysis is not applicable during the period under review. The analysis of the Group’s operations is shown in note 3 of this unaudited condensed consolidated financial information.

#### Foreign Exchange Exposure and Financial Hedging

Following the completion of the reorganization, 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 reorganization exercise.

## REPORT OF THE DIRECTORS

### MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

#### Liquidity and Financial Resources

The Group maintained a healthy financial position with no bank borrowing and no gearing as at 30 June 2012 (31 December 2011: Nil). The Group remained conservative in working capital management. Cash and cash equivalents were HK\$28.1 million compared to the Group's total cash and cash equivalents of HK\$28.9 million as at 31 December 2011. 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.

#### Employees

As at 30 June 2012, the Group had approximately 12 employees in Hong Kong (31 December 2011: 14 employees). The Group continues to provide remuneration packages and training programs to employees with reference to prevailing market practices.

#### Outlook

Recent economic data came as a shock to many people with a dramatic decline in growth both in Hong Kong and Mainland China. The impacts of slackening external demand have gradually filtered through to Hong Kong's domestic consumption. As a result, our traditional trading business was adversely affected. It was further impaired by the uncertainties associated with the new government's possible change in housing policy.

We expect the market conditions will remain difficult in the second half of the year. The worsening European debt crisis and the slowing down of the Mainland economy may have further impairment on the local consumer confidence. Recent price cut by certain developers also indicated that they had concerns over the future prospect of the real estate sector.

The management will keep the overhead at a low level and continue to explore new business opportunities in enhancing shareholders' value. However, our short-term financial performance may further deteriorate before we gain traction in our new business development. We believe our conservative philosophy, zero borrowing and tight financial controls put us in a reasonably position to deal with the possible difficulties.

#### INTERIM DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).



## REPORT OF THE DIRECTORS

### DIRECTORS

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

#### **Executive Director:**

Mr. Wang, John Peter Ben

#### **Independent Non-executive Directors:**

Mr. Tsui Yiu Wa, Alec

Mr. Pang Hing Chung, Alfred

Dr. Tyen Kan Hee, Anthony

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group 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 six months ended 30 June 2012 or at any time during such period.

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the interests and short positions 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

#### (I) Long positions 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%

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

Share options were granted to the directors of the Company on 26 August 2011, 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.

*Note:* As at 30 June 2012, the total number of issued shares of the Company was 237,939,584.

Save as disclosed above, as at 30 June 2012, none of the directors or chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2012, 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:

## REPORT OF THE DIRECTORS

### SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY *(continued)*

#### Ordinary shares of HK\$0.10 each of the Company

Name	Capacity	Number of ordinary shares held/ % of issued share capital				Note
		Long Positions	%	Short Positions	%	
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%	–	–	6
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:

- As at 30 June 2012, the total number of issued shares of the Company was 237,939,584.
- 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.
- 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.
- 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.
- 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.
- Regarding the interest of Mr. Wang, John Peter Ben in the underlying shares (in respect of the share options granted by the Company), please refer to the section "Share Option Scheme" in this report.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY *(continued)*

Save as disclosed above, as at 30 June 2012, the Company has not been notified of any other interests or short positions 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.

### SHARE OPTION SCHEME

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"). As at 30 June 2012, the Company had no share options outstanding under the 2002 Share Option Scheme. Under the 2011 Share Option Scheme, the directors of the Company may, at their discretion, grant to any directors, executives and employees of any members of the Group and consultants, professional and other advisors to any members of the Group share options to subscribe for the Company's shares (the "Shares"), subject to the terms and conditions stipulated therein.

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

Category of participant	Number of share options				Outstanding at 30 June 2012	Approximate % of issued share capital	Date of grant of share options	Exercise price per share HK\$	Notes
	Outstanding at 1 January 2012	Granted during the period	Exercised during the period	Lapsed/cancelled during the period					
<b>Directors</b>									
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
<b>Employees and Consultants</b>									
	3,050,000	-	-	-	3,050,000	1.28%	26.08.2011	1.77	3
<b>Total</b>	<b>4,050,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,050,000</b>	<b>1.72%</b>			

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME *(continued)*

*Notes:*

1. As at 30 June 2012, 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 30 June 2012, 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.

### CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in fulfilling the 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.

The Company has complied with the code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the code provisions of the Corporate Governance Code (the "CG Code") set out in the Listing Rules during the period from 1 April 2012 to 30 June 2012, 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, Chairman and Executive Director of the Company is responsible for the management of the Board. The Board considered that it was not necessary to appoint a chief executive officer because 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 was engaged in tiles trading and engineering operations (the "Remaining Business") only. The Remaining Business continued to be managed by employees and personnel previously responsible for the same, and, hence, minimal supervision was necessary. Due to the aforesaid arrangement and as the Company did not currently have any other business, the Company did not have a chief executive officer. The daily management of the Group was carried out by the Chairman 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, would be considered and approved by the Board. Such arrangement will be subject to review by the Board from time to time.



## REPORT OF THE DIRECTORS

### CORPORATE GOVERNANCE *(continued)*

- (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.

The Company has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Corporate Governance Committee to ensure maintenance of a high corporate governance standard. Terms of reference of the aforesaid committees have been posted on the Company's website at <http://www.summitascentholdings.com> under the "Corporate Governance" section.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors set out in the Model Code throughout the six months ended 30 June 2012.

### CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors which are required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) subsequent to the date of the 2011 Annual Report of the Company are set out below:

Name of Director	Details of Changes
Mr. Wang, John Peter Ben	Resigned as non-executive director of Oriental Ginza Holdings Limited (now known as Carnival Group International Limited) with effect from 1 March 2012
Mr. Tsui Yiu Wa, Alec	Retired as independent non-executive director of China BlueChemical Limited at the conclusion of the annual general meeting held on 5 June 2012

## REPORT OF THE DIRECTORS

### AUDIT COMMITTEE

The Company's audit committee is currently 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 of directors of the Company; and (ii) review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2012.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### BOARD OF DIRECTORS

As at the date of this report, the Board comprises one Executive Director, namely 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.

By Order of the Board of  
**Summit Ascent Holdings Limited**  
**Wang, John Peter Ben**  
*Chairman and Executive Director*

Hong Kong, 28 August 2012

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2012

		(Unaudited)	
		Six months ended	
	Notes	30 June 2012 HK\$'000	30 June 2011 HK\$'000
CONTINUING OPERATIONS			
Turnover	6	6,952	54,402
Cost of sales	7	<u>(5,005)</u>	<u>(43,158)</u>
Gross profit		1,947	11,244
Other gains		108	–
Operating expenses	8	<u>(4,957)</u>	<u>(8,117)</u>
(Loss)/profit before income tax		(2,902)	3,127
Income tax expense	9	<u>–</u>	<u>(594)</u>
(Loss)/profit for the period from continuing operations		(2,902)	2,533
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	10	<u>–</u>	<u>(332)</u>
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD, ATTRIBUTABLE TO SHAREHOLDERS		<u>(2,902)</u>	<u>2,201</u>
Basic and diluted (loss)/earnings per share (HK cents)			
– continuing operations	11	(1.22)	1.07
– discontinued operations		<u>–</u>	<u>(0.14)</u>
		<u>(1.22)</u>	<u>0.93</u>

The notes on pages 15 to 24 form an integral part of this condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

		(Unaudited) At 30 June 2012 <i>HK\$'000</i>	(Audited) At 31 December 2011 <i>HK\$'000</i>
	<i>Notes</i>		
Current assets			
Inventories		119	216
Trade and other receivables	14	12,941	14,628
Cash and cash equivalents		<u>28,072</u>	<u>28,877</u>
Total current assets		<u>41,132</u>	<u>43,721</u>
Current liabilities			
Trade and other payables	15	8,061	9,010
Provisions		249	219
Tax payables		<u>1,012</u>	<u>1,012</u>
Total current liabilities		<u>9,322</u>	<u>10,241</u>
Net assets		<u>31,810</u>	<u>33,480</u>
Capital and reserves			
Share capital		23,794	23,794
Reserves		<u>8,016</u>	<u>9,686</u>
Shareholders' funds		<u>31,810</u>	<u>33,480</u>

The notes on pages 15 to 24 form an integral part of this condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE PERIOD ENDED 30 JUNE 2012

	(Unaudited)	
	Six months ended	
	30 June 2012	30 June 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
(Loss)/profit before income tax	(2,902)	2,795
Adjustment for:		
Share-based compensation benefits	1,232	–
Write back of stock obsolescence	(108)	–
Provision for impairment of receivables	–	1,654
Interest income	–	(34)
Loss on disposal of subsidiaries	–	329
Fair value change on financial assets at fair value through profit and loss	–	(5)
Fair value change on derivative financial instruments	–	(916)
	<u>(1,778)</u>	<u>3,823</u>
<b>Changes in working capital</b>		
Decrease in inventories	205	6,117
Decrease in trade and other receivables	1,687	18,803
Decrease in trade and other payables	(949)	(38,217)
Increase in provisions	30	5,030
Increase in amount due to a related company	–	14,875
	<u>(805)</u>	<u>10,431</u>
<b>Cash (used in)/generated from operations</b>	(805)	10,431
Interest received	–	34
Overseas tax paid	–	(865)
	<u>(805)</u>	<u>9,600</u>
<b>Net cash (used in)/generated from operating activities</b>	<u>(805)</u>	<u>9,600</u>
<b>Cash flows from investing activities</b>		
Payments for purchase of property, plant and equipment	–	(77)
Proceeds from disposal of financial assets		
at fair value through profit and loss	–	14,055
Proceeds from disposal of subsidiaries	–	129,687
	<u>–</u>	<u>129,687</u>
<b>Net cash generated from investing activities</b>	<u>–</u>	<u>143,665</u>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE PERIOD ENDED 30 JUNE 2012

	(Unaudited)	
	Six months ended	
	30 June 2012	30 June 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from financing activities</b>		
Dividend paid	–	(196,990)
Proceeds from issuance of ordinary shares	–	2,300
	<u>–</u>	<u>2,300</u>
<b>Net cash used in financing activities</b>	<u>–</u>	<u>(194,690)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(805)</b>	(41,425)
Cash and cash equivalents at the beginning of the period	<u>28,877</u>	<u>75,074</u>
Cash and cash equivalents at the end of the period	<u>28,072</u>	<u>33,649</u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	<u>28,072</u>	<u>33,649</u>

The notes on pages 15 to 24 form an integral part of this condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2012

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Available- for-sale investment reserve <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2011 (Audited)	23,640	98,427	99,978	808	946	1,088	224,887
Profit attributable to shareholders	-	-	2,201	-	-	-	2,201
Total comprehensive income for the period ended 30 June 2011	-	-	2,201	-	-	-	2,201
Share option scheme							
Issuance of ordinary shares	154	2,146	-	-	-	-	2,300
Transfer among reserves	-	(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)
	154	(96,281)	(95,721)	(808)	(946)	(1,088)	(194,690)
At 30 June 2011 (Unaudited)	23,794	2,146	6,458	-	-	-	32,398
At 1 January 2012 (Audited)	23,794	2,146	6,232	-	-	1,308	33,480
Loss attributable to shareholders	-	-	(2,902)	-	-	-	(2,902)
Total comprehensive expense for the period ended 30 June 2012	-	-	(2,902)	-	-	-	(2,902)
Share-based compensation benefits	-	-	-	-	-	1,232	1,232
At 30 June 2012 (Unaudited)	23,794	2,146	3,330	-	-	2,540	31,810

The notes on pages 15 to 24 form an integral part of this condensed consolidated financial information.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1 General Information

The principal activities of Summit Ascent 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.

This unaudited condensed consolidated financial information was approved for issue on 28 August 2012.

### 2 Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

### 3 Accounting policies

The condensed consolidated financial information has been prepared on the historical cost basis.

Except as described below, the accounting policies used in the condensed consolidated financial information is consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

- Amendments to HKFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets
- Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in and disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new and revised standards, amendments and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2012. The directors of the Company anticipate that the application of those new and revised standards, amendments and interpretation will have no material impact on the results and the financial position of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 4 Estimates

The preparation of condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2011.

### 5 Financial risk management

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There have been no changes in the risk management department since year end or in any risk management policies.

#### 5.2 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 and 30 June 2012, the Group did not have any financial assets or financial liabilities in the balance sheet which is measured at fair value.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 6 Turnover, other gains and segment information

The principal activities of the Group's continuing operation are tiles trading and engineering operations in Hong Kong, while discontinued operations included the following activities: (i) trading, (ii) manufacturing and export, and (iii) retail and renovation.

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

	30 June 2012		(Unaudited) Six months ended		30 June 2011	
	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	6,952	-	6,952	54,402	20,480	74,882
Other gains						
Write back of stock obsolescence	108	-	108	-	-	-
Sundry income	-	-	-	-	100	100
	108	-	108	-	100	100
Total revenues	7,060	-	7,060	54,402	20,580	74,982

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

Segment assets comprise trade receivables and inventories.

The segment information for the period ended 30 June 2012 is as follows:

	Continuing operations	Discontinued operations				Sub-total HK\$'000	Total HK\$'000
	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		
Total turnover	6,952	-	-	-	-	6,952	
Inter-segment turnover	-	-	-	-	-	-	
Turnover (from external customers)	6,952	-	-	-	-	6,952	
Gross profit	1,947	-	-	-	-	1,947	
Segment assets as at 30 June 2012	12,608	-	-	-	-	12,608	



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 6 Turnover, other gains and segment information (continued)

The segment information for the period ended 30 June 2011 is as follows:

	Continuing operations	Discontinued operations				Sub-total HK\$'000	Total HK\$'000
	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		
Total turnover	54,402	7,291	302	5,448	7,686	20,727	75,129
Inter-segment turnover	–	–	–	(247)	–	(247)	(247)
Turnover (from external customers)	54,402	7,291	302	5,201	7,686	20,480	74,882
Gross profit	11,244	990	60	1,611	2,781	5,442	16,686
Segment assets as at 31 December 2011	14,538	–	–	–	–	–	14,538

A reconciliation of gross profit to total (loss)/profit before income tax is provided as follows:

	30 June 2012		(Unaudited) Six months ended		30 June 2011	
	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Gross profit	1,947	–	1,947	11,244	5,442	16,686
Sundry income	–	–	–	–	100	100
Write back of/(provision for) stock obsolescence	108	–	108	(490)	(37)	(527)
Provision for impairment of receivables	–	–	–	(1,545)	(109)	(1,654)
Other expenses	(4,957)	–	(4,957)	(6,082)	(5,433)	(11,515)
Operating (loss)/profit	(2,902)	–	(2,902)	3,127	(37)	3,090
Finance income	–	–	–	–	34	34
(Loss)/profit before income tax	(2,902)	–	(2,902)	3,127	(3)	3,124
Loss on disposal of discontinued operations	–	–	–	–	(329)	(329)
	(2,902)	–	(2,902)	3,127	(332)	2,795

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 6 Turnover, other gains and segment information *(continued)*

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

	(Unaudited) At 30 June 2012 HK\$'000	(Audited) At 31 December 2011 HK\$'000
Total segment assets	12,608	14,538
Unallocated:		
Cash and cash equivalents	28,072	28,877
Others	452	306
Total assets	<u>41,132</u>	<u>43,721</u>

### 7 Cost of sales

	(Unaudited) Six months ended					
	Continuing operations HK\$'000	30 June 2012 Discontinued operations HK\$'000	Total HK\$'000	Continuing operations HK\$'000	30 June 2011 Discontinued operations HK\$'000	Total HK\$'000
Cost of inventories sold	<u>5,005</u>	<u>–</u>	<u>5,005</u>	<u>43,158</u>	<u>15,038</u>	<u>58,196</u>

### 8 Operating expenses

	(Unaudited) Six months ended	
	30 June 2012 HK\$'000	30 June 2011 HK\$'000
Administrative expenses:		
Employee benefits expenses	2,950	4,130
Operating lease rentals on properties paid to third parties	263	228
Share-based compensation benefits to consultants	680	–
Travelling expenses	34	72
Entertainment expenses	86	20
Stamps, postage and telephone	15	22
Auditor's remuneration	314	10
Legal and professional fees	168	554
Advertising expenses	74	75
	<u>4,584</u>	<u>5,111</u>
Other operating expenses:		
Provision for impairment of receivables	–	1,545
Provision for stock obsolescence	–	490
Provision for/(write back of) long service payments	30	(31)
Provision for employee leave entitlements	6	26
Sundry expenses	337	976
	<u>373</u>	<u>3,006</u>
	<u>4,957</u>	<u>8,117</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 9 Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit arising in or derive from Hong Kong activities during the Period (2011: provided at the rate of 16.5%). Taxation on overseas profits has been calculated on the estimated assessable profit for the Period at the rates of taxation prevailing in the countries in which the Group operates. Income tax expense from continuing operations charged to the condensed consolidated statement of comprehensive income represents:

	(Unaudited) Six months ended	
	30 June 2012 HK\$'000	30 June 2011 HK\$'000
Current income tax		
– Hong Kong profits tax	–	594

### 10 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 had interests to Green Motherlode Limited, a company controlled by the Green family. Members of the Green family were beneficiaries of the Michael Green Family Trust, the controlling shareholder of the Company. As a result of this transaction, the Company and its remaining subsidiaries were principally engaged in tiles trading and engineering operations with the majority of the Group's operations disposed of to the Green family. The transaction was completed on 22 February 2011.

a) The loss from discontinued operations was analysed as follows:

	Six months ended 30 June 2011 HK\$'000
Loss from discontinued operations	(3)
Loss on disposal of discontinued operations	(329)
	<u>(332)</u>

The results of discontinued operations were set out below:

	Six months ended 30 June 2011 HK\$'000
Turnover	20,480
Cost of sales	(15,038)
	<u>5,442</u>
Gross profit	5,442
Sundry income	100
Operating expenses	(5,579)
	<u>(37)</u>
Operating loss	(37)
Finance income	34
	<u>(3)</u>
Loss before income tax	(3)
Income tax expense	–
	<u>(3)</u>
Loss for the Period from discontinued operations	(3)
Cash flows from discontinued operations:	
Net cash flows used in operating activities	(2,415)
Net cash flows used in investing activities	(59,012)
	<u>(61,427)</u>
Net cash flows	(61,427)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 10 Disposal of subsidiaries and discontinued operations *(continued)*

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

	<i>HK\$'000</i>
Consideration:	
Cash received	149,000
	<hr/>
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
	<hr/>
	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
	<hr/>
	100,779
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Current liabilities	
Trade and other payables	52,062
Derivative financial instruments	403
Provisions	1,697
Current income tax liabilities	374
	<hr/>
	54,536
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Net current assets	46,243
	<hr style="border-top: 1px dashed black;"/>
Total assets less current liabilities	143,995
Non-current liabilities	
Deferred income tax liabilities	666
	<hr/>
Net assets disposed of	143,329
	<hr/>
Loss on disposal of discontinued operations:	
Cash consideration	149,000
Net assets disposed of	(143,329)
Professional fee incurred	(6,000)
	<hr/>
Loss on disposal	(329)
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration	149,000
Less: bank balances and cash disposed of	(13,313)
Less: professional fee paid	(6,000)
	<hr/>
	129,687
	<hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 11 (Loss)/earnings per share

#### (a) Basic (loss)/earnings per share

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

	(Unaudited) Six months ended	
	30 June 2012 HK\$'000	30 June 2011 HK\$'000
(Loss)/profit from continuing operations attributable to shareholders	(2,902)	2,533
Loss from discontinued operations attributable to shareholders	–	(332)
	<u>(2,902)</u>	<u>2,201</u>
Weighted average number of ordinary shares in issue	<u>237,939,584</u>	<u>237,666,685</u>

#### (b) Diluted (loss)/earnings per share

There is no dilution effect on potential ordinary shares for the periods ended 30 June 2012 and 2011.

### 12 Retirement benefit costs

The Group's contributions to the ORSO scheme are reduced by contributions forfeited by those employees who leave the ORSO scheme prior to vesting fully in the contributions. No forfeited contribution was utilised during the six months ended 30 June 2012 and 2011.

Contributions of HK\$36,000 were payable to the Retirement Scheme as at 30 June 2012 (31 December 2011: HK\$72,000).

### 13 Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

### 14 Trade and other receivables

	(Unaudited) At 30 June 2012 HK\$'000	(Audited) At 31 December 2011 HK\$'000
Trade receivables	1,514	2,145
Retention receivables	93	93
	<u>1,607</u>	<u>2,238</u>
Total trade and retention receivables	1,607	2,238
Less: provision for impairment of receivables	–	–
	<u>1,607</u>	<u>2,238</u>
Net trade and retention receivables	1,607	2,238
Prepayments and other receivables	11,334	12,390
	<u>12,941</u>	<u>14,628</u>

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\$10,882,000 (31 December 2011: HK\$12,084,000). Refer to note 18 for details.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 14 Trade and other receivables (continued)

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

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

	(Unaudited) At 30 June 2012 HK\$'000	(Audited) At 31 December 2011 HK\$'000
Current	12,271	13,385
One to three months overdue	577	855
Three to twelve months overdue	83	388
Overdue more than twelve months	10	–
	<u>12,941</u>	<u>14,628</u>
Total trade, retention and other receivables	<u>12,941</u>	<u>14,628</u>

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.

The trade and retention receivables included in the above aging are considered not impaired as these relate to a number of independent customers for whom there was no recent history of default. All the impaired overdue trade and retention receivables have been provided for. As at 30 June 2012 and 31 December 2011, no trade and retention receivables were impaired and provided for.

### 15 Trade and other payables

	(Unaudited) At 30 June 2012 HK\$'000	(Audited) At 31 December 2011 HK\$'000
Trade payables	1,203	1,158
Accruals and other payables	5,874	6,860
Advances received from customers	984	992
	<u>8,061</u>	<u>9,010</u>
Total trade and other payables	<u>8,061</u>	<u>9,010</u>

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.

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

	(Unaudited) At 30 June 2012 HK\$'000	(Audited) At 31 December 2011 HK\$'000
Current	606	292
One to three months overdue	233	502
Overdue more than three months	364	364
	<u>1,203</u>	<u>1,158</u>
Total trade payables	<u>1,203</u>	<u>1,158</u>
Accruals and other payables	5,874	6,860
Advances received from customers	984	992
	<u>8,061</u>	<u>9,010</u>
Total trade and other payables	<u>8,061</u>	<u>9,010</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 16 Provisions

	Long service payments <i>HK\$'000</i>	Employee leave entitlements <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2012 (Audited)	47	172	219
Additional provisions	30	174	204
Less: Amounts utilised	–	(168)	(168)
Charged to condensed consolidated statement of comprehensive income	30	6	36
Less: Amounts settled	–	(6)	(6)
Net effect on provisions	30	–	30
At 30 June 2012 (Unaudited)	77	172	249

### 17 Share capital

Ordinary shares of HK\$0.10 each	Authorised <i>(Number of shares)</i>	Issued and fully paid	Ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2011 (Audited)	800,000,000	236,396,000	23,640	98,427	122,067
Transfer to retained earnings from dividend distribution	–	–	–	(98,427)	(98,427)
Share option scheme – proceeds from shares issued	–	1,543,584	154	2,146	2,300
At 30 June 2011 (Unaudited), 31 December 2011 (Audited) and 30 June 2012 (Unaudited)	800,000,000	237,939,584	23,794	2,146	25,940

During the six months ended 30 June 2011, share options exercised resulted in 1,543,584 shares being issued, with exercise proceeds of HK\$2,300,000. The related price at the time of exercise was HK\$3 per share.

### 18 Related party transactions

- (a) The trade and other receivables include receivables from a related company in relation to the sales receipts collected on behalf of a subsidiary of the Company of HK\$10,882,000 (31 December 2011: HK\$12,084,000). The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from this related company as at 30 June 2012 (31 December 2011: Nil).
- (b) During the six months ended 30 June 2012, the operating lease rentals of HK\$144,000 were paid to a related company jointly controlled by a key management personnel of a subsidiary on normal commercial terms and conditions (2011: Nil).
- (c) Key management compensation amounted to HK\$145,000 for the six months ended 30 June 2012 (2011: HK\$854,000).