SUMMIT ASCENT
凱升控股有限公司 Holdings Limited

Annual Report 2013

SUMMIT ASCENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 102

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HIGHLIGHTS

- Turnover in 2013 was HK$7.9 million, compared with HK$9.8 million in 2012.

- Loss for the year was HK$79.5 million, compared with HK$6.0 million in 2012. The increased losses were mainly attributable to non-recurring professional fees of HK$11.4 million and non-cash share-based payments of HK$61.5 million incurred during the year. The majority of the non-cash share-based payments related to share options granted to our Chairman and Non-executive Director, Mr. Ho, Lawrence Yau Lung. Share-based compensation expense is based on the estimated fair value of each option at its shareholders' approval date (for the share options granted to Mr. Ho) or grant date (for the share options granted to other grantees), the estimation of which involves assumptions about future volatility of the Group's share price, future interest rates and the timing with respect to exercise of the options.

- Net cash generated from an open offer and a share placement was HK$602.2 million in 2013, nil in 2012.

- Net cash used for investment in a joint venture for the gaming and resort development in Russia was HK$261.0 million, nil in 2012.

- Net assets of the Group were up 21 times in 2013 at HK$616.8 million, compared with HK$29.3 million in 2012.

CHAIRMAN'S STATEMENT

In my first statement as Chairman, I am pleased to report that the year 2013 marked a key milestone in the history of Summit Ascent Holdings Limited (the "Company"). With shareholders' approval at the special general meeting held on 17 October 2013, we embarked on our largest and most important growth initiative to-date with a significant acquisition of 46% equity interest in a joint venture which holds a gaming license for an indefinite period in the Primorsky Territory of the Russian Federation.

I am very optimistic on the potential of the Company's gaming and resort development project in the Russian Far East. The Primorsky Integrated Entertainment Zone, one of four designated gaming zones in Russia, was created by an order in 2009 signed by the then Prime Minister and the current President Vladimir Putin. Furthermore in May 2013, the Governor of the Primorsky Territory confirmed that, among other things, the Primorsky Government welcomes the Company as a foreign investor. The planned casino resort has the advantage of being geographically close to the target feeder markets, the three Chinese provinces in northeastern China, namely, Heilongjiang, Jilin and Liaoning. In addition, Russia currently offers a very favorable tax environment for gaming business compared to other jurisdictions, in exchange for job creation and developing the local tourism industry.

Macau's recent success in developing the integrated resort concept with entertainment, convention and dining offerings has drawn attention of the neighboring countries in Asia Pacific. Several governments are leaning towards the model and doing their best to emulate the achievements. We believe that with the expertise and experience of the Board and the management of the Company, as well as our joint venture partners, the investment will allow the Group to realize its long term business diversification strategy. I believe our venture into the Russian gaming market will, in due course, bring out significant profits potential and enhance shareholder returns.

Lastly, I would like to extend my appreciation to my fellow Board members, management team and staff for their dedication and commitment in sustaining our Group through tough times and propelling it towards sustainable growth. I would also like to thank our business partners, clients and loyal shareholders for their continued support and trust.

Ho, Lawrence Yau Lung
Chairman and Non-Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the year 2013, the Company and its subsidiaries (the "Group") continued to focus on trading of tiles and engineering operations products.

The Group recorded a turnover of HK$7.9 million and a gross profit of HK$2.7 million for the year ended 31 December 2013, representing decreases of 19% and 10% respectively as compared to 2012 (2012: HK$9.8 million and HK$3.0 million respectively). The decline was mainly due to the intensified competition from the mainland Chinese dealers for tiles and engineering operations products. The series of cooling measures imposed by the Hong Kong government continued to take its toll on property prices and transaction volumes, resulting in a dramatic decline in demand for building materials.

Amidst such an adverse macro backdrop, the Group has, leveraging the contacts of its Directors in Macau, managed to secure some significant orders in Macau, where is still seeing growth in the construction industry. During 2013, the Group has secured orders aggregating in excess of HK$20 million. Such orders are expected to result in increased revenue in 2014 and 2015.

Even though the gross profit margin improved to 34% in 2013 (2012: 30%), the Group's loss for the year ended 31 December 2013 increased to HK$79.5 million (2012: loss of HK$6.0 million), which was mainly attributable to the following items:

(i) Non-recurring professional fees of HK$11.4 million mainly related to the acquisition of 46% ownership interest in a joint venture (2012: HK$234,000); and

(ii) Non-cash share-based payments of HK$61.5 million mainly related to the share options granted by the Company to Mr. Ho, Lawrence Yau Lung, Chairman and Non-executive Director of the Company. The grant of share options to Mr. Ho is designed to compensate Mr. Ho fairly and equitably in accordance with market rates and practice as he will not receive any director's fee for acting as non-executive chairman of the Company, and to provide incentive to him for his contribution to the Group in the future. Mr. Ho is currently co-chairman and chief executive officer of Melco Crown Entertainment Limited ("MCE"), an operator of casino gaming and entertainment casino resort facilities in Asia, and the chairman and chief executive officer of Melco International Development Limited ("Melco"), a major shareholder of MCE. Both MCE and Melco are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Board believes that the in-depth knowledge of Mr. Ho in the gaming and entertainment sector and his extensive business network and connections in that sector are important to the development of the new gaming and casino business of the Group in Russia.

    Share-based compensation expense is based on the estimated fair value of each option at its shareholders' approval date (for the share options granted to Mr. Ho, Lawrence Yau Lung) or grant date (for the share options granted to other grantees), the estimation of which involves assumptions about future volatility of the Group's share price, future interest rates and the timing with respect to exercise of the options. The fair value of the share options granted during the year was estimated at HK$182.7 million (2012: Nil) and the amount associated with share-based payments for the year ended 31 December 2013 is HK$61.5 million (HK$1.9 million).

The Group generated other gains of HK$1.8 million for the year ended 31 December 2013, which included, among others, interest income for the bank deposits and exchange gains (2012: Nil).

Significant Acquisition and Investment Held

During the year, the Company completed the acquisition of 46% equity interest in a joint venture in respect of a gaming and resort development project in the Russian Federation, details of which are set out in the Company's circular dated 30 September 2013 and summarized as follows:

On 23 August 2013, Summit Ascent Russia Limited ("SARL"), a wholly owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement") to supersede and replace the previous preliminary agreements with New Crescent Investments Limited ("New Crescent") which is a wholly-owned subsidiary of Melco, Firich Investment Limited ("Firich"), Elegant City Group Limited and Oriental Regent Limited ("Oriental Regent") to subscribe for the shares of Oriental Regent. With shareholders' approval at the special general meeting of the Company held on 17 October 2013, the completion of the Investment Agreement took place on 31 October 2013 (the "Completion") and SARL, New Crescent, Firich and Elegant City are interested in 46%, 5%, 19% and 30% of Oriental Regent respectively.

Oriental Regent is an investment holding company which originally owned 50% of First Gambling Company of the East LLC ("FGCE"). FGCE holds a gaming license awarded by the Administration of the Primorye Region to conduct gaming activities in the Integrated Entertainment Zone ("IEZ") established in the Primorye Region, where is in the Far Eastern economic region of Russia and has the city of Vladivostok as its administrative center. The gaming license held by FGCE has been granted for an indefinite period and commenced on 22 April 2012. Upon Completion, Oriental Regent has held 100% of FGCE and is indirectly interested in 100% of the aforesaid gaming and resort development in Russia.

FGCE is also the tenant of two land lots in the IEZ identified as Lot 8 and Lot 9 for a period of approximately 14 years commencing on 27 July 2011 and ending on 20 July 2025. The land area of the principal land Lot 9 is approximately 90,455m^2 and has a total planned gross floor area of approximately 31,630m^2. Lot 8 is mainly the utility zone for the location of mechanical, electrical and plumbing infrastructure servicing Lot 9 and possibly other land lots within the IEZ. The lessor of the Lot 8 and Lot 9 is OJSC "Primorsky Krai Development Corporation" (formerly known as OJSC "Nash Dom Primorye") which is a joint stock company wholly owned by the Administration of the Primorye Region, Russia.

After Completion, FGCE continues to develop the casino resort complex on Lot 9; which is planned to have approximately 119 hotel rooms, with approximately 800 slot machines, 25 luxurious gaming tables and 40 mass market gaming tables. The Investment Agreement provides that FGCE shall enter into a management contract with SARL, or an affiliate of SARL, to manage the entire operations of FGCE, for a fee of 3% of gross gaming revenue generated by FGCE (less any withholding tax or other deductions FGCE is required by law to make). The Investment Agreement also provides that New Crescent, or an affiliate of New Crescent, will enter into a consultancy agreement with FGCE to provide gaming consultancy services to FGCE, for a fee of 0.3% of gross gaming revenue generated by FGCE (less any withholding tax or other deductions FGCE is required by law to make).

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Information

The Group has two operating segments: (1) trading of tiles and engineering operations products and (2) gaming and hotel operations. The Group's revenue for the year 2013 was solely derived from the trading of tiles and engineering operations products.

The gaming and hotel operations of the Group refer to investments in joint ventures. After Completion, the 46%-owned Oriental Regent has been accounted for as a joint controlled entity and its results have been equity accounted for in the consolidated financial statements of the Group. At 31 December 2013, the consolidated net assets of Oriental Regent amounted to HK$560.7 million and the carrying amount of the Group's interest in Oriental Regent was HK$257.9 million (31 December 2012: Nil). Oriental Regent and its subsidiary FGCE recorded no turnover but incurred some pre-opening losses from the date of Completion to 31 December 2013. Accordingly, the Group shared loss of the joint ventures of HK$1.3 million in the consolidated statement of profit or loss for the year ended 31 December 2013 (2012: Nil).

Outlook

2013 was a challenging year for the Group's core business of trading of tiles and engineering operations products. The market sentiment remained fragile as a result of the changes in housing policies in both Hong Kong and mainland China. We expect the contraction in market activities will continue and our traditional trading business will face another tough year. Because of the cyclical downturn of the existing business, the Group is currently in discussion with a number of construction companies in Macau to expand its market coverage. So far our expansion into Macau has yielded some positive results. During 2013, the Group has secured orders aggregating in excess of HK$20 million. Such orders are expected to result in increased revenue in 2014 and 2015.

The Group has also been actively exploring other investment opportunities which can enhance shareholders' returns and which are within the core competence of the Directors. Due to the uncertainties in the property market in which the Group operates, we believe that it is in the interests of the Group and its shareholders to diversify its business and to actively pursue new business opportunities to regain the Group's growth momentum.

The investment in 46% equity interest of Oriental Regent represents a valuable opportunity for the Company to diversify into a new business with potentially very attractive returns. It is also expected that the investment will give the Company a first mover advantage as the casino resort will most likely be the first legal casino to start operating in the Far Eastern Region of Russia since the ban of gambling in the country (except for the four designated border zones) in 2009. The superstructure, including foundations and shell (floors and roof), of the main casino and hotel building has already been constructed. As the gaming and resort project is still at its development and investment stage, the Group being the largest shareholder in the joint venture will monitor closely the development progress of the project. Any future funding of the casino project will be considered carefully and will be made within the Group's financial capability, including its ability to raise new funding, either by way of equity or debt, in the future.

With a solid financial foundation, a focused line of principal business together with the planned new investment, the Group remains confident in delivering attractive returns to the Company's shareholders in the long run.

Liquidity and Financial Resources

As at 31 December 2013, cash and bank balances held by the Group amounted to HK$359.6 million (31 December 2012: HK$25.6 million), approximately 100% of which was denominated in Hong Kong dollar (31 December 2012: 99.5%). The Group maintained a healthy financial position with no borrowings throughout the year 2013. Most of the Group's cash balances are placed with reputable financial institutions.

Net current assets of the Group increased by HK$329.5 million to HK$358.8 million at 31 December 2013 (31 December 2012: HK$29.3 million). The Group remained conservative in working capital management. In 2013, the Group's principal use of cash was investment in 46% equity interest of Oriental Regent amounted to HK$261.0 million.

The Group's principal source of liquidity in 2013 was cash inflows from financing activities in respect of proceeds from issue of equity shares in the following exercises:

(i) On 28 February 2013, the Company proposed an open offer (the "Open Offer") of new shares of the Company (the "Offer Shares") for subscription by the existing shareholders of the Company on the basis of three Offer Shares for every ten existing shares held by the shareholders. The Open Offer was priced at HK$1.20 per Offer Share. Upon completion on 11 April 2013, the Open Offer issued 71,381,875 Offer Shares and successfully raised proceeds of approximately HK$85.6 million to repay liabilities, pay employee remuneration and operating expenses, for general working capital purposes and for financing new investment opportunities of the Company. Details and results of the Open Offer are set out in the Company's prospectus and announcement dated 20 March 2013 and 17 April 2013 respectively.

(ii) On 17 October 2013, the Company entered into a placing and subscription agreement with the placing agent pursuant to which the placing agent has conditionally agreed with the Company to place 53,918,000 placing shares (the "Placing Shares") to the placees who are independent third parties at the placing price of HK$10.00 per Placing Share. The Placing Shares were issued pursuant to the general mandate granted at the Company's annual general meeting on 31 May 2013 (the "AGM") and the placing successfully raised proceeds of approximately HK$539.2 million for the purpose of financing the investment in Oriental Regent. The completion of the placing took place simultaneously with the completion of the Investment Agreement on 31 October 2013.

Total expenses in respect of the above issue of shares amounted to HK$22.6 million for the year ended 31 December 2013 (2012: Nil).

Capital Structure

As announced on 18 April 2013, the Company proposed to implement a share subdivision on the basis that each of the existing issued and unissued shares of the Company with par value of HK$0.10 each in the share capital of the Company be subdivided into two subdivided shares of HK$0.05 each (the "Share Subdivision"). The Share Subdivision reduced the nominal value and trading price of each share and increased the total number of shares of the Company in issue, but will not result in any change in the relevant rights of the Company's shareholders. The authorized share capital of the Company became HK$80,000,000 divided into 1,600,000,000 shares. The Directors are of the view that the increase in number of the shares will improve the market circulation of the shares of the Company, thereby enabling the Company to attract more investors and broaden its shareholders' base. Following the passing of an ordinary resolution of the AGM, the Share Subdivision became effective on 3 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on Assets

None of the Group's assets was pledged at 31 December 2013 or 31 December 2012.

Exposure to Fluctuations in Exchange Rates

The consolidated financial statements of the Group are presented in Hong Kong dollar. The Group's monetary assets, liabilities and transactions are principally denominated in United States dollar and Hong Kong dollar. Considering that Hong Kong dollar is pegged against United States dollar, the Group believes that the exposure to United States dollar exchange rate fluctuation is nominal. Thus, no hedging against foreign currency exposure is necessary.

Capital Commitment

The Group's share of the capital commitments made jointly with other joint venturers relating to its joint venture, Oriental Regent, to contribute funds for the acquisition of property, plant and equipment amounted to HK$54.4 million (31 December 2012: Nil).

Contingent Liabilities

There were no contingent liabilities as at 31 December 2013 (31 December 2012: Nil).

Number and Remuneration of Employees

At 31 December 2013, the Group had 14 employees for its operations in Hong Kong (31 December 2012: 11). The Group continues to provide remuneration packages and training programmes to employees with reference to prevailing market practices. In addition to the contributory provident fund and medical insurance, the Company has adopted share option scheme and may grant share options to directors, employees and consultants of the Group as incentives.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Ho, Lawrence Yau Lung (aged 37)
Chairman and Non-executive Director

Mr. Lawrence Ho was appointed as the Chairman and a Non-executive Director of the Company in July 2013. He is also a director of certain subsidiaries of the Company. Mr. Ho is a director of Quick Glitter Limited (a substantial shareholder of the Company) which is wholly owned by him. He is currently the chairman and chief executive officer of Melco International Development Limited, a company listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") and co-chairman and chief executive officer of Melco Crown Entertainment Limited, a company listed on Hong Kong Stock Exchange and the NASDAQ Global Select Market in the United States, that holds one of six gaming concessions and sub-concessions to own and operate gaming business in Macau.

As a Member of the National Committee of the Chinese People's Political Consultative Conference, Mr. Ho also serves on numerous boards and committees of privately held companies in Hong Kong, Macau and mainland China. He is a Member of the Board of Directors, Member of the Executive Committee, and a Vice Patron of The Community Chest of Hong Kong; Member of Science and Technology Council of the Macau SAR Government; Member of All China Youth Federation; Member of Macau Basic Law Promotional Association; Chairman of Macau International Volunteers Association; Board of Governors of The Canadian Chamber of Commerce in Hong Kong; Honorary Lifetime Director of The Chinese General Chamber of Commerce of Hong Kong; Honorary Patron of The Canadian Chamber of Commerce in Macao; Honorary President of Association of Property Agents and Real Estate Developers of Macau and Director Executivo of Macao Chamber of Commerce.

In recognition of Mr. Ho's excellent directorship and entrepreneurial spirit, Institutional Investor honored him as the "Best CEO" in 2005. He was also granted the "5th China Enterprise Award for Creative Businessmen" by the China Marketing Association and China Enterprise News, "Leader of Tomorrow" by Hong Kong Tatler and the "Directors of the Year Award" by the Hong Kong Institute of Directors in 2005.

As a socially-responsible young entrepreneur in Hong Kong, Mr. Ho was selected as one of the "Ten Outstanding Young Persons Selection 2006", organized by Junior Chamber International Hong Kong. In 2007, he was elected as a finalist in the "Best Chairman" category in the "Stevie International Business Awards" and one of the "100 Most Influential People across Asia Pacific" by Asiamoney magazine. In 2008, he was granted the "China Charity Award" by the Ministry of Civil Affairs of the People's Republic of China. And in 2009, Mr. Ho was selected as one of the "China Top Ten Financial and Intelligent Persons" judged by a panel led by the Beijing Cultural Development Institute and Fortune Times, and was named "Young Entrepreneur of the Year" at Hong Kong's first Asia Pacific Entrepreneurship Awards.

Mr. Ho was honored as one of the recipients of the Asian Corporate Director Recognition Awards in 2012 and 2013, and was awarded "Asia's Best CEO" at the Asian Excellence Recognition Awards by Corporate Governance Asia magazine for the third time in 2014. He was also once again selected by FinanceAsia magazine as one of the "Best CEOs in Hong Kong" for the fifth year in 2014.

Mr. Ho graduated with a Bachelor of Arts degree in commerce from the University of Toronto, Canada in June 1999 and was awarded the Honorary Doctor of Business Administration degree by Edinburgh Napier University, Scotland in July 2009 for his contribution to business, education and the community in Hong Kong, Macau and China.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Wang, John Peter Ben (aged 53)
Deputy Chairman and Executive Director

Mr. Wang has been an Executive Director of the Company since March 2011. He was appointed as Deputy Chairman of the Company in July 2013 and before that, he was the Chairman of the Company from March 2011 to July 2013. He is a director of certain subsidiaries of the Company. He is currently a non-executive director of Melco Crown Entertainment Limited, a company listed on the Hong Kong Stock Exchange and NASDAQ Global Select Market in the United States and a non-executive director of Anxin-China Holdings Limited, a company listed on the Hong Kong Stock Exchange.

He previously held non-executive directorships in MelcoLot Limited, Oriental Ginza Holdings Limited (now renamed Carnival Group International Limited) and China Precious Metal Resources Holdings Co., Ltd., companies listed on 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 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 64)
Independent Non-executive Director

Mr. Tsui has been an Independent Non-executive Director of the Company since 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, an independent non-executive director of a number of listed public companies including COSCO International Holdings Limited, China Power International Development Limited and Pacific Online Limited, all of which are companies listed on the Hong Kong Stock Exchange, China Oilfield Services Limited, a company listed on both the Hong Kong Stock Exchange and Shanghai Stock Exchange, Melco Crown Entertainment Limited, a company listed on the Hong Kong Stock Exchange and NASDAQ and ATA Inc., a company listed on NASDAQ and an independent director of Melco Crown (Philippines) Resorts Corporation, a company listed on the Philippine Stock Exchange. He 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 Securities and Futures Commission prior to joining the Hong Kong 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, China Huiyuan Juice Group Limited, China BlueChemical Ltd and China Chengtong Development 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.

Mr. Pang Hing Chung, Alfred (aged 52)
Independent Non-executive Director

Mr. Pang has been an Independent Non-executive Director of the Company since March 2011. He is also a member of the audit committee of the Company. He is currently the chief executive and chairman, Investment Banking, Asia of Standard Bank Plc, Hong Kong branch ("Standard Bank") and a member of Standard Bank's Asia Executive Committee. He is also an independent non-executive director of MelcoLot Limited, a company listed on 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 58)
Independent Non-executive Director

Dr. Tyen has been an Independent Non-executive Director of the Company since 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 of which are companies listed on the Hong Kong Stock Exchange, and an independent director of Entertainment Gaming Asia Inc., a company listed on the NASDAQ Capital Market and Alpha Peak Leisure Inc., a company listed on the TSX Venture Exchange Inc. 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 36 years' experience in auditing, accounting, management and company secretarial practice.

CORPORATE INFORMATION

Board of Directors

Mr. Ho, Lawrence Yau Lung* *(Chairman)*
Mr. Wang, John Peter Ben# *(Deputy Chairman)*
Mr. Tsui Yiu Wa, Alec+
Mr. Pang Hing Chung, Alfred+
Dr. Tyen Kan Hee, Anthony+

Executive Director
* *Non-executive Director*
+ *Independent Non-executive Director*

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
Central, 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
Dah Sing Bank, Limited

Auditor

Deloitte Touche Tohmatsu

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

Summit Ascent Holdings Limited (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.

Compliance of Corporate Governance Code

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2013, except for the deviation from Code Provision A.2.1 of the CG Code with explanation described below.

Code provision A.2.1 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. During the period from 1 January 2013 to 9 July 2013, the Company had not appointed a chief executive officer and Mr. Wang, John Peter Ben, Chairman and Executive Director of the Company was 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 (BVI) Limited, a former subsidiary of the Company, to Green Motherlode Limited on 22 February 2011, the Group was engaged in trading of tiles and engineering operations products (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, the Company did not have a chief executive officer. The daily management of the Group was carried out by the Chairman of the Company.

On 10 July 2013, Mr. Ho, Lawrence Yau Lung was appointed as Chairman and Non-executive Director of the Company and Mr. Wang, John Peter Ben was re-designated from Chairman to Deputy Chairman and remains as an Executive Director of the Company. The role of the Non-executive Chairman is separated from that of the Deputy Chairman and Executive Director. Mr. Ho, Lawrence Yau Lung, the Chairman, is responsible for providing leadership and effective running of the Board. Mr. Wang, John Peter Ben, Deputy Chairman and Executive Director, is responsible for the day-to-day management and operation of the Group. The division of the responsibilities between the Chairman and the Deputy Chairman has been established and set out clearly in writing.

The Board of Directors

Composition of the Board

The Board currently has five members, consisting of one Non-executive Director, Mr. Ho, Lawrence Yau Lung (Chairman), one Executive Director, Mr. Wang, John Peter Ben (Deputy Chairman) and three Independent Non-executive Directors, 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 "Biographical Details of Directors" set out on pages 9 to 11 of this annual report.

The Non-executive Director and the Independent Non-executive Directors, all of whom are independent of the management of the Group's businesses, are highly experienced professionals with substantial experience in areas such as accounting, banking, financial management and business. Their mix of skills and business experience is a major contribution to the future development of the Company. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision making processes. In addition, they facilitate the Board to maintain a high standard of financial and other mandatory reporting and provide adequate checks and balances to safeguard the interests of shareholders and the Company as a whole.

The Board of Directors (continued)

Composition of the Board (continued)

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.

All Directors entered into formal letters of appointment with the Company which set out the key terms and conditions of their appointment. Each non-executive director and independent non-executive director was appointed for a term of three years. 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. Mr. Ho, Lawrence Yau Lung, who was appointed as a director of the Company on 10 July 2013, will also retire and being eligible, offer himself for re-election at the forthcoming annual general meeting. The biographical details of these retiring directors have been set out in a circular to assist shareholders to make an informed decision on their re-elections.

Board Diversity Policy

In August 2013, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will monitor the implementation of this policy and report annually, in the corporate governance report of the Company, on the process it has used in relation to board appointments.

Directors' Training

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities and obligations under relevant statues, laws, rules and regulations. The Company Secretary also provides Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. To enable the Directors to discharge duties, Directors are provided with monthly updates on the Company's performance, position and prospects.

The Board of Directors (continued)

Directors' Training (continued)

All Directors have participated in continuous professional development to develop and refresh their knowledge and skills. There are also arrangements in place for providing continuing professional development to Directors at the Company's expense whenever necessary. A summary of training received by Directors during the year ended 31 December 2013 is set out below:

	Type of Continuous Professional Development	
	Attending seminars/ workshops/conferences relevant to the business or directors' duties	Reading regulatory updates
Mr. Ho, Lawrence Yau Lung*	✓	✓
Mr. Wang, John Peter Ben#	✓	✓
Mr. Tsui Yiu Wa, Alec+	✓	✓
Mr. Pang Hing Chung, Alfred+	✓	✓
Dr. Tyen Kan Hee, Anthony+	✓	✓

Executive Director
* Non-executive Director
+ Independent Non-executive Director

Board Meetings

The Board meets regularly over the Company's affairs and operations. The Board held a total of nine meetings during the year ended 31 December 2013. Each Director's attendance record at the board meetings during the year is set out under the section "Directors' Attendance at Meetings" of this report. At the board meetings, the Directors considered and approved the financial results and budget, discussed the overall strategy as well as the operation and financial performance of the Group. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. The Company Secretary records all matters considered by the Board, decisions reached and any concerns raised or dissenting views expressed by Directors. All businesses transacted at the meetings were documented and the records are maintained in accordance with applicable laws and regulations.

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 2013.

Securities Dealings of Directors and Relevant Employees

The Company has adopted a code of conduct regarding Directors' securities dealings on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (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 2013. The Company has also established written guidelines for the relevant employees of the Company to regulate their dealings in the securities of the Company.

The Board of Directors (continued)

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Delegation by the Board

Management functions

Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. The Board is responsible for establishing the strategic direction of the Group, setting objectives and business development plans, monitoring the performance of the senior management and assuming responsibility for corporate governance. The management, under the leadership of the Executive Director (who is also the Deputy Chairman), is responsible for the day-to-day management of the Group's businesses and implementation of the strategy and direction set by the Board. To ensure effective discharge of the Board's responsibilities, the management submits reports on the Company's operations to the Board on a regular basis. The Board reviews and approves the Company's annual budget and business plans, which serves as an important yardstick in assessing and monitoring the performance of the management. Directors have access to management and are welcome to request for explanations, briefings or discussions on the Company's operations or business issues.

Board Committees

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".

(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. They all 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 auditor is Deloitte Touche Tohmatsu. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

During the year 2013, the Audit Committee held a total of two meetings. Each Director's attendance record at the meetings during the year is set out under the section "Directors' Attendance at Meetings" of this report. At the meetings, they reviewed the financial results for the year ended 31 December 2012 and interim financial results for the six months ended 30 June 2013, the remuneration of external auditor and the internal control report. The Committee also carried out and discharged its duties as set out in the CG Code.

Delegation by the Board (continued)

Board Committees (continued)

(2) Nomination Committee

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. It reviews the structure, size and composition (including the skills, knowledge and experience) of the Board, identifies the individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship and on matters relating to the appointment and re-appointment of directors and succession planning for directors.

The Nomination Committee held three meetings during the year. Each member's attendance record at the meetings during the year is set out under the section "Directors' Attendance at Meetings" of this report. The following is a summary of the major work performed by the Nomination Committee during the year:

(a) reviewed the structure, size, composition and diversity of the Board;
(b) approved and adopted the nomination procedures, process and criteria for nomination and appointment of directors;
(c) considered and approved the nomination of Mr. Ho, Lawrence Yau Lung as the chairman and non-executive director of the Company;
(d) formulated the board diversity policy and recommended to the Board for approval;
(e) approved the revised terms of reference of the Nomination Committee; and
(f) assessed the independence of independent non-executive directors.

The Nomination Committee is provided with sufficient resources to perform its duties. It may seek independent professional advice at the Company's expense to perform its responsibilities where necessary.

(3) 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 (including salaries, bonuses, benefits in kind etc.) 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.

The Remuneration Committee held one meeting during the year. Each member's attendance record at the meeting during the year is set out under the section "Directors' Attendance at Meetings" of this report. The following is a summary of the major work performed by the Remuneration Committee during the year:

(a) reviewed the remuneration of directors and senior management of the Company; and
(b) considered and approved the granting of share options to a new director and three consultants under the Company's share option scheme and recommended it to the Board for approval.

Details of emoluments of Directors and Chief Executive are set out in note 11 to the consolidated financial statements.

The Remuneration Committee is provided with sufficient resources to perform its duties. It may seek independent professional advice at the Company's expense to perform its responsibilities where necessary.

Delegation by the Board (continued)

Board Committees (continued)

(3) Remuneration Committee (continued)

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 and 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.

(4) Corporate Governance Committee

The Corporate Governance Committee was formed to assist the Board to perform corporate governance functions. It is composed of two Independent Non-executive Directors, namely Mr. Tsui Yiu Wa, Alec (Chairman) and Dr. Tyen Kan Hee, Anthony.

The Board has delegated the following corporate governance duties to the Corporate Governance Committee:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
(b) to review and monitor the training and continuous professional development of Directors and senior management;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Corporate Governance Committee held one meeting during the year to review the Company's policies and practices on corporate governance, training and continuous professional development of Directors and senior management and the corporate governance report. Each member's attendance record at the meeting during the year is set out under the section "Directors' Attendance at Meetings" of this report.

Directors' Attendance at Meetings

The attendance records of the Directors at board meetings, board committee meetings and general meetings during the year ended 31 December 2013 are as follows:

	No. of meetings attended/held						
Name of Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Corporate Governance Committee Meeting	Annual General Meeting	Special General Meeting
Mr. Ho, Lawrence Yau Lung* (appointed on 10 July 2013)	3/3	–	–	–	–	–	1/2
Mr. Wang, John Peter Ben#	9/9	–	–	–	–	1/1	2/2
Mr. Tsui Yiu Wa, Alec+	9/9	2/2	3/3	1/1	1/1	1/1	2/2
Mr. Pang Hing Chung, Alfred+	8/9	1/2	–	–	–	1/1	0/2
Dr. Tyen Kan Hee, Anthony+	9/9	2/2	3/3	1/1	1/1	1/1	2/2
Average Attendance Rate	**98%**	**83%**	**100%**	**100%**	**100%**	**100%**	**70%**

Executive Director

* Non-executive Director

\+ Independent Non-executive Director

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 Company 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 2013 covering all material financial, operational and compliance controls and risk management functions, and considers that the system of internal control is adequate and effective.

Company Secretary

The Company Secretary supports the Chairman, the Board and the Board Committees by ensuring good information flow and that Board policy and procedures are followed. The Company has engaged Mr. Tsang Yuen Wai, Samuel as external secretarial service provider. Mr. Tsang has been the Company Secretary of the Company since March 2011. He is a solicitor who has worked with major law firms and listed conglomerates in Hong Kong for over 20 years. He reports directly to Mr. Wang, John Peter Ben, the Deputy Chairman and Executive Director of the Company.

During the year, Mr. Tsang has complied with the training requirement provided in Rule 3.29 of the Listing Rules.

Directors' and Auditor's Responsibilities for Accounts

The Directors of the Company are responsible for the preparation and the true and fair presentation of the financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The responsibilities of external auditor for the accounts are set out in the Independent Auditor's Report on page 30 of this annual report.

Auditor's Remuneration

During the year ended 31 December, 2013, the external auditor of the Company received approximately HK$1,300,000 for audit services and HK$2,260,000 for the due diligence work and review of financial information of the Group for inclusion in the Company's circular in relation to the investments in joint ventures during the year.

Constitutional Documents

During the year ended 31 December, 2013, there was no change in the Company's constitutional documents.

Shareholders' Rights

Right to convene special general meeting

Pursuant to the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half (1/2) of the total voting rights of all of them, may themselves convene a meeting in accordance with the provision of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act").

The written requisition requiring a special general meeting to be called must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Registered Office of the Company in Bermuda for the attention of the Company Secretary.

Shareholders' Rights (continued)

Right to put forward proposals at general meetings

In accordance with Section 79 of the Companies Act, shareholders may by written request include a resolution in a general meeting. The request must be made by shareholders holding in aggregate not less than one-twentieth (1/20) of the total voting rights of those shareholders having the right to vote at the general meeting or not less than one hundred (100) shareholders. The written requisition must be signed by the requisitionists and deposited at the Registered Office of the Company in Bermuda for the attention of the Company Secretary.

Right to put enquiries to the Board

Shareholders have a right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the Head Office of the Company in Hong Kong or the Registered Office in Bermuda (the addresses are set out in the "Corporate Information" section of this annual report), or by e-mail to info@summitascentholdings.com, for the attention of the Company Secretary.

Procedures for nomination of Directors for election

Pursuant to bye-law 88 of the Bye-laws of the Company, shareholders are entitled to elect any person to be a Director at the annual general meeting or at any special general meeting by following the requirement set out in said bye-law. Details of the procedures for nomination of Directors for election are available on the Company's website at http://www.summitascentholdings.com.

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. The Chairman of the Board, members of the Board and external auditor will attend the AGM. Notice of AGM and related papers are sent to the shareholders at least 20 clear business days before the meeting. The Company supports the Corporate Governance Code's principle to encourage shareholders' participation. Questioning by the shareholders at the AGM is encouraged and welcomed.

The Chairman of the Board attended the AGM held on 31 May 2013. The chairman of each Board Committee or their appointed delegate was also present and available to answer questions at the AGM. The Company Secretary and the external auditor also attended the AGM. Each Director's attendance record at the meeting is set out under the section "Directors' Attendance at Meetings" of this report.

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.

REPORT OF THE DIRECTORS

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 2013.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are shown in note 28 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 8 to the consolidated financial statements.

Results

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 32 of this annual report.

Share Capital

Details of the movements in share capital of the Company are set out in note 22 to the consolidated financial statements.

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 78 of this annual report.

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 29 to the consolidated financial statements, respectively.

Distributable Reserves

As at 31 December 2013, no reserve was available for distribution to the owners of the Company (31 December 2012: Nil).

Pre-Emptive Rights

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

Major Customers and Suppliers

In 2013, sales to the Group's five largest customers accounted for 55% of the total sales for the year and sales to the largest customer included therein amounted to 25%. Purchases from the Group's five largest suppliers accounted for 73% of the total purchases for the year and the Group's largest supplier accounted for 35% of its total purchases.

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.

Directors

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

Mr. Ho, Lawrence Yau Lung* *(Chairman)*	(appointed on 10 July 2013)
Mr. Wang, John Peter Ben# *(Deputy Chairman)*	(re-designated from Chairman to Deputy Chairman on 10 July 2013)

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

Executive Director
* Non-executive Director
+ Independent Non-executive Director

In accordance with Clause 86(2) of the Company's Bye-laws, Mr. Ho, Lawrence Yau Lung shall retire at the forthcoming annual general meeting, and being eligible, offer himself for re-election.

In accordance with Clause 87(1) and (2) of the Company's Bye-laws, Mr. Tsui Yiu Wa, Alec and Mr. Pang Hing Chung, Alfred shall 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

Biographical details of directors as at the date of this report are set out on pages 9 to 11 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.

Emolument Policy

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

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

The Company has adopted a share option scheme as an incentive to directors, consultants and eligible employees, details of the scheme are set out in note 23 to the consolidated financial statements.

Directors' Interests in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of 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.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2013, 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

Name of Director	Capacity	Nature of interest	Number of ordinary shares held	% of issued share capital	Note(s)
Mr. Ho, Lawrence Yau Lung	Interest of controlled corporation	Corporate	229,856,232	33.84%	2, 3
Mr. Wang, John Peter Ben	Beneficial owner	Personal	79,949,990	11.77%	3

Notes:

1. As at 31 December 2013, the total number of issued shares of the Company (the "Shares") was 679,306,918.

2. 229,856,232 Shares are held by Quick Glitter Limited, a company 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. On 28 February 2013, the Company announced that it proposed to raise not less than approximately HK$85.7 million, before expenses, by way of an open offer of not less than 71,381,875 offer shares (the "Offer Shares") at the subscription price of HK$1.20 per Offer Share on the basis of three Offer Shares for every ten Shares held by the qualifying shareholders of the Company on 19 March 2013 payable in full upon application (the "Open Offer"). Each of Quick Glitter Limited and Mr. Wang, John Peter Ben ("Mr. Wang") has given an irrevocable undertaking respectively in favour of the Company to subscribe for all the Offer Shares to which each of them will be entitled under the Open Offer. As a result of the Open Offer, 26,521,872 Offer Shares were issued to Quick Glitter Limited and 9,224,997 Offer Shares were issued to Mr. Wang on 18 April 2013. Thereafter, Quick Glitter Limited and Mr. Wang were interested in 114,928,116 Shares and 39,974,995 Shares respectively.

   On 31 May 2013, an ordinary resolution for the subdivision of each of the existing issued and unissued Shares of HK$0.10 each into two subdivided Shares of HK$0.05 each was passed at the annual general meeting of the Company (the "Share Subdivision"). The Share Subdivision was effective from 3 June 2013. As a result of the Share Subdivision, the number of Shares held by Quick Glitter Limited and Mr. Wang was adjusted from 114,928,116 to 229,856,232 and from 39,974,995 to 79,949,990 respectively.

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

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

Details of share options held by the directors of the Company are set out below:

	Number of share options										
		Before Open Offer and Share Subdivision				After Open Offer and Share Subdivision					
Name of Directors	As at 1/1/ 2013	Granted	Exercised	Adjustment for Open Offer[2]	Adjustment for Share Subdivision[3]	Granted	Exercised	As at 31/12/2013	% of issued share capital	Date of grant	Exercise price[2,3] HK$
Mr. Ho, Lawrence Yau Lung[5]	–	–	–	–	–	20,000,000	–	20,000,000	2.94%	10.07.2013	3.46
Mr. Wang, John Peter Ben[4]	250,000	–	–	45,000	295,000	–	–	590,000	0.09%	26.08.2011	0.75
Mr. Tsui Yiu Wa, Alec[4]	250,000	–	–	45,000	295,000	–	–	590,000	0.09%	26.08.2011	0.75
Mr. Pang Hing Chung, Alfred[4]	250,000	–	–	45,000	295,000	–	–	590,000	0.09%	26.08.2011	0.75
Dr. Tyen Kan Hee, Anthony[4]	250,000	–	–	45,000	295,000	–	(200,000)	390,000	0.06%	26.08.2011	0.75
Total	**1,000,000**	**–**	**–**	**180,000**	**1,180,000**	**20,000,000**	**(200,000)**	**22,160,000**	**3.27%**		

Notes:

1. As at 31 December 2013, the total number of issued Shares was 679,306,918.

2. Upon the completion of the Open Offer in April 2013, the exercise price per Share and the number of outstanding share options granted on 26 August 2011 were adjusted from HK$1.77 to HK$1.50 and from 1,000,000 to 1,180,000 respectively.

3. As a result of the Share Subdivision which was effective on 3 June 2013, the exercise price per Share and the number of outstanding share options granted on 26 August 2011 were adjusted from HK$1.50 to HK$0.75 and from 1,180,000 to 2,360,000 respectively.

4. The share options are divided into 2 tranches exercisable from 26 August 2011 and 26 August 2012 respectively to 25 August 2021.

5. The share options are divided into 4 tranches exercisable from 31 October 2013, 31 October 2014, 31 October 2015 and 31 October 2016 respectively to 9 July 2018.

Save as disclosed above, as at 31 December 2013, 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 positions 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 2013, none of the directors of the Company or their respective associates had any interest in a business, which competes or may compete, either directly or indirectly with the business of the Company pursuant to the Listing Rules.

Directors' Rights to Acquire Shares or Debentures

Save as for the share option scheme 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

Pursuant to Chapter 14A of the Listing Rules, the following connected transaction of the Company requires disclosure in the annual report of the Company:

On 10 July 2013, the Company entered into an amended and restated preliminary agreement (the "Preliminary Investment Agreement") with New Crescent Investments Limited ("New Crescent") and Elegant City Group Limited ("Elegant City"). On 23 August 2013, Summit Ascent Russia Limited ("SARL"), a wholly owned subsidiary of the Company, entered into an investment and shareholders agreement (the "Investment Agreement") with New Crescent, Firich Investment Limited ("Firich"), Elegant City and Oriental Regent Limited ("Oriental Regent"). The Investment Agreement supersedes and replaces the Preliminary Investment Agreement.

Pursuant to the Investment Agreement, SARL made an investment in a gaming and resort development project in Russia, by subscribing new shares of Oriental Regent, representing 46% of the enlarged issued share capital of Oriental Regent. Upon completion of the transaction on 31 October 2013, New Crescent, SARL, Firich and Elegant City were interested in 5%, 46%, 19% and 30% of Oriental Regent (which holds 100% of First Gambling Company of the East LLC ("FGCE"), a limited liability company established in Russia) respectively. FGCE holds a gaming license awarded by the Administration of the Primorye Region to conduct gaming activities in the Integrated Entertainment Zone of the Primorye Region, Russia ("IEZ") and further owns a gaming and resort development project in the IEZ. The gaming license held by FGCE has been granted for an indefinite period commencing on 22 April 2012.

In consideration for the subscription and issue of the new shares of Oriental Regent, SARL has invested an amount of US$23.7 million in Oriental Regent on completion. Furthermore, SARL has invested an additional amount of approximately US$9.9 million, in cash, as equity in Oriental Regent after completion as subsequent funding.

New Crescent is an associate of Mr. Ho, Lawrence Yau Lung, who is the controlling shareholder of the Company holding 229,856,232 Shares through Quick Glitter Limited, a company which is wholly owned by him. Accordingly, New Crescent is a connected person of the Company and the entering into by SARL of the Investment Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The transaction was approved by the shareholders of the Company at the special general meeting held on 17 October 2013, in which Mr. Ho and his associates have abstained from voting.

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2013, which do not constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are disclosed in note 27 to the consolidated financial statements.

Substantial Shareholders' Interests in the Shares, Underlying Shares and Debentures

As at 31 December 2013, 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:

Long position in the shares and underlying shares of the Company

Name	Capacity	No. of shares held	No. of underlying shares held	% of issued share capital	Note(s)
Quick Glitter Limited	Beneficial owner	229,856,232	–	33.84%	2, 3
Mr. Ho, Lawrence Yau Lung	Interest of controlled corporation	229,856,232	20,000,000	36.78%	3
Ms. Lo Sau Yan, Sharen	Interest of spouse	229,856,232	20,000,000	36.78%	4
Mr. Wang, John Peter Ben	Beneficial owner	79,949,990	590,000	11.86%	2
Mr. Ko Chun Fung, Henry	Beneficial owner	37,643,994	–	5.54%	–
Ms. Liu Suk Ling, Florence	Interest of spouse	37,643,994	–	5.54%	5
Mr. Xu Yi	Beneficial owner	38,100,000	–	5.61%	–
Ms. Wang Yujuan	Interest of spouse	38,100,000	–	5.61%	6

Notes:

1. As at 31 December 2013, the total number of issued Shares was 679,306,918.

2. On 28 February 2013, the Company announced that it proposed to raise not less than approximately HK$85.7 million, before expenses, by way of an Open Offer of not less than 71,381,875 Offer Shares at the subscription price of HK$1.20 per Offer Share on the basis of three Offer Shares for every ten Shares held by the qualifying shareholders of the Company on 19 March 2013 payable in full upon application. Each of Quick Glitter Limited and Mr. Wang, John Peter Ben ("Mr. Wang") has given an irrevocable undertaking respectively in favour of the Company to subscribe for all the Offer Shares to which each of them will be entitled under the Open Offer. As a result of the Open Offer, 26,521,872 Offer Shares were issued to Quick Glitter Limited and 9,224,997 Offer Shares were issued to Mr. Wang on 18 April 2013. Thereafter, Quick Glitter Limited and Mr. Wang were interested in 114,928,116 Shares and 39,974,995 Shares respectively.

   On 31 May 2013, an ordinary resolution for the subdivision of each of the existing issued and unissued Shares of HK$0.10 each into two subdivided Shares of HK$0.05 each was passed at the annual general meeting of the Company. The Share Subdivision was effective from 3 June 2013. As a result of the Share Subdivision, the number of Shares held by Quick Glitter Limited and Mr. Wang was adjusted from 114,928,116 to 229,856,232 and from 39,974,995 to 79,949,990 respectively.

3. 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.

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

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

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

Save as disclosed above, as at 31 December 2013, 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.

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

During the year ended 31 December 2013, the Company had not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Sufficiency of Public Float

Based on the information that is 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.

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 Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013, except for deviation from code provision A.2.1 in respect of the separation of the roles of the Chairman and Chief Executive Officer.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 13 to 21 of this annual 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 2013 with the directors.

Auditor

Messrs. PricewaterhouseCoopers, who had acted as auditor of the Company in the preceding years, resigned as auditor of the Company with effect from 29 November 2013 and Messrs. Deloitte Touche Tohmatsu, following the resignation of Messrs. PricewaterhouseCoopers, was appointed as new auditor of the Company with effect from 20 December 2013. The appointment of new auditor of the Company was approved by the shareholders of the Company at a special general meeting held on 20 December 2013.

The consolidated financial statements for the year ended 31 December 2013 have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and being eligible, offer themselves for re-appointment at the 2014 annual general meeting of the Company.

On behalf of the Board

Wang, John Peter Ben
Deputy Chairman and Executive Director

Hong Kong, 31 March 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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 (collectively referred to as the "Group") set out on pages 32 to 77, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's loss 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.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on these statements on 25 March 2013.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	7	**7,913**	9,845
Cost of sales		**(5,219)**	(6,877)
Gross profit		**2,694**	2,968
Other income		**1,824**	–
Selling and distribution expenses		**(117)**	(327)
General and administrative expenses		**(82,710)**	(8,649)
Share of loss of joint ventures		**(1,282)**	–
Loss before taxation		**(79,591)**	(6,008)
Income tax credit	9	**51**	–
Loss for the year, attributable to owners of the Company	10	**(79,540)**	(6,008)
Other comprehensive expense			
– share of exchange differences of a joint venture, which may be reclassified subsequently to profit or loss		**(1,853)**	–
Total comprehensive loss for the year, attributable to owners of the Company		**(81,393)**	(6,008)
			(Restated)
Loss per share	14		
– Basic (HK cents)		**12.95**	1.07
– Diluted (HK cents)		**12.95**	1.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	**2013 HK$'000**	2012 HK$'000
Non-current assets			
Equipment	15	**73**	–
Investments in joint ventures	16	**257,908**	–
		257,981	–
Current assets			
Inventories	17	**81**	5
Trade and other receivables	18	**37,574**	11,043
Income tax recoverable		**–**	709
Bank balances and cash	19	**359,635**	25,603
		397,290	37,360
Current liabilities			
Trade and other payables	20	**38,090**	8,032
Amount due to a joint venture	21	**372**	–
		38,462	8,032
Net current assets		**358,828**	29,328
Net assets		**616,809**	29,328
Capital and reserves			
Share capital	22	**33,965**	23,794
Reserves		**582,844**	5,534
Equity attributable to owners of the Company		**616,809**	29,328

The consolidated financial statements on pages 32 to 77 were approved and authorised for issue by the Board of Directors on 31 March 2014 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Translation reserve** HK$'000	**Share-based compensation reserve** HK$'000	**Retained profits (accumulated loss)** HK$'000	**Total** HK$'000
At 1 January 2012	23,794	2,146	–	1,308	6,232	33,480
Loss and total comprehensive loss for the year	–	–	–	–	(6,008)	(6,008)
Recognition of equity-settled share-based payments	–	–	–	1,856	–	1,856
At 31 December 2012 and 1 January 2013	23,794	2,146	–	3,164	224	29,328
Loss for the year	–	–	–	–	(79,540)	(79,540)
Share of exchange differences of a joint venture	–	–	(1,853)	–	–	(1,853)
Total comprehensive loss for the year	–	–	(1,853)	–	(79,540)	(81,393)
Exercise of share options	337	7,220	–	(2,363)	–	5,194
Recognition of equity-settled share-based payments	–	–	–	61,469	–	61,469
Shares issued	9,834	615,004	–	–	–	624,838
Transaction costs attributable to issue of shares	–	(22,627)	–	–	–	(22,627)
At 31 December 2013	33,965	601,743	(1,853)	62,270	(79,316)	616,809

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013	2012
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(79,591)**	(6,008)
Adjustments for:		
Share-based payment expense	**61,469**	1,856
Share of loss of joint ventures	**1,282**	–
Depreciation	**1**	–
Interest income	**(976)**	–
Write back of provision for stock obsolescence	**(68)**	(108)
Operating cash flows before movements in working capital	**(17,883)**	(4,260)
(Increase) decrease in inventories	**(8)**	319
(Increase) decrease in trade and other receivables	**(25,836)**	3,585
Increase (decrease) in trade and other payables	**30,058**	(1,197)
Cash used in operations	**(13,669)**	(1,553)
Income taxes paid	**(253)**	(1,721)
Income tax refunded	**1,013**	–
Net cash used in operating activities	**(12,909)**	(3,274)
INVESTING ACTIVITIES		
Investment in a joint venture	**(261,043)**	–
Purchases of equipment	**(74)**	–
Interest received	**281**	–
Net cash used in investing activities	**(260,836)**	–
FINANCING ACTIVITIES		
Proceeds from issue of shares	**624,838**	–
Proceeds from exercise of share options	**5,194**	–
Increase in amount due to a joint venture	**372**	–
Expenses on issue of shares	**(22,627)**	–
Net cash generated from financing activities	**607,777**	–
Net increase (decrease) in cash and cash equivalents	**334,032**	(3,274)
Cash and cash equivalents at beginning of the year	**25,603**	28,877
Cash and cash equivalents at end of the year, represented by bank balances and cash	**359,635**	25,603

1. General

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are the trading of tiles and engineering operations products. The principal subsidiaries and their activities are set out in note 28.

2. Application of New And Revised Hong Kong Financial Reporting Standards ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New And Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Application of new and revised HKFRSs (continued)

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[2]
HK(IFRIC) - Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014. Early application is permitted.

3 Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

2. Application of New And Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

Annual Improvements to HKFRSs 2010-2012 Cycle (continued)

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

2. Application of New And Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

Annual Improvements to HKFRSs 2011-2013 Cycle (continued)

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- the property meets the definition of investment property in terms of HKAS 40; and
- the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. Application of New And Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 “Financial instruments” (continued)

The directors do not anticipate that the adoption of HKFRS 9 in the future will have material impact on amounts reported in respect of the Group’s financial assets and financial liabilities based on the analysis of the Group’s financial assets and financial liabilities as of 31 December 2013.

The directors of the Company anticipate that the application of the other new and revised Standards and Interpretations issued but not yet effective will have no material effect on amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements of the Group.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. Significant Accounting Policies (continued)

The principal accounting policies are set out below.

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

3. Significant Accounting Policies (continued)

Investments in joint ventures (continued)

An investment in an a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. Significant Accounting Policies (continued)

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Equipment

Equipment is stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of equipment less their residual values over their estimated useful lives of three to five years using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. Significant Accounting Policies (continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

The Group's non-derivative financial assets are classified as loans and receivables and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 60 days and observable changes in national or local economic conditions that correlate with default on receivables.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at financial asset's original effective interest rate.

The carrying amount of loans and receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan or receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Other financial liabilities

The Group's other financial liabilities, including trade and other payables and amount due to a joint venture are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Effective interest method

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of joint arrangements that do not result in the Group losing joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. Significant Accounting Policies (continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

4. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of Oriental Regent Limited ("Oriental Regent") as a joint venture

Note 16 describes that Oriental Regent is a joint venture of the Group. The directors assessed whether or not the Group has control over Oriental Regent based on whether it has the practical ability to direct the relevant activities of Oriental Regent unilaterally. New Crescent Investments Limited ("New Crescent"), a wholly owned subsidiary of Melco International Development Limited ("Melco") has 5% equity interest in Oriental Regent. Mr. Ho, Lawrence Yau Lung is a shareholder and director with significant influence in both the Company and Melco. Although the Group and New Crescent have in aggregate 51% equity interest in Oriental Regent, the directors considered that Oriental Regent is not a subsidiary of the Group as Melco is a listed company which is not considered to be acting on the Group's behalf in respect of the 5% interest in Oriental Regent held by Melco. Accordingly, as the relevant activities of Oriental Regent require unanimous written approval of all of the members of the board of Oriental Regent or the unanimous consent of the shareholders of Oriental Regent, Oriental Regent is considered to be under joint control of the Group and the other parties.

In addition, Oriental Regent is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. There are also no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, the directors classified Oriental Regent as a joint venture of the Group. See note 16 for details.

4. Critical Accounting Judgement and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2013, the carrying amount of trade and other receivables is HK$37,574,000 (2012: HK$11,043,000), without allowance for doubtful debts (2012: Nil).

Share-based payments

The Group recognises share-based compensation expense on options granted. Share-based compensation expense is based on the estimated fair value of each option at its grant date, the estimation of which requires management to make assumptions about future volatility of the Group's stock price, future interest rates and the timing with respect to exercise of the options. The effects of a change in one or more of these variables could result in a materially different fair value. The fair value of the share options granted during the year was estimated at HK$182,658,000 (2012: Nil) and the amount associated with share-based payments for the year ended 31 December 2013 is HK$61,469,000 (2012: HK$1,856,000).

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

6. Financial Instruments

Categories of financial instruments

	2013	2012
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**368,268**	36,277
Financial liabilities		
Amortised cost	**2,918**	1,568

Financial risk management objectives and policies

The Group's financial instruments include bank balances and cash, trade and other receivables, trade and other payables and amount due to a joint venture. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

Currency risk

The Group has no significant exposure to foreign exchange risk arising from various currency exposures. The commercial transactions and recognised assets and liabilities are mainly from local currency.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank deposits carried interest at fixed rate.

The Group is also exposed to cash flow interest rate risk in relation to variable rate bank balances. The management considers the cash flow interest rate risk in relation to variable-rate bank balances is insignificant and therefore no sensitivity analysis on such risk has been prepared.

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to manage the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than concentration of credit risk on liquid funds which are deposited with two banks in Hong Kong with good reputation, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

All financial liabilities are due within twelve months from the end of the reporting period or repayable on demand and non-interest bearing for both years.

Fair value measurement of financial instruments

None of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis.

The directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. The fair value of the financial assets and financial liabilities are categorised as level 3 and have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

7. Turnover

Turnover represents the amounts received or receivable for goods sold to customers during the year, less returns.

8. Segment Information

The Group has single operating segment of trading of tiles and engineering operations products for the year ended 31 December 2012. In current year, upon the acquisition of 46% ownership interests in Oriental Regent (Note 16), a new business, which related to the development of hotel and gaming business in Russia Federation through its strategic investment in Oriental Regent, is added as another new operating and reportable segment - "Gaming and hotel operations". The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Company's Executive Director, the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. No operating segments have been aggregated in arriving at reportable segments of the Group.

Segment revenues and results

An analysis of the Group's turnover and results by operating and reportable segment is as follows:

	2013			2012		
	Trading of tiles and engineering operations products HK$'000	**Gaming and hotel operations HK$'000**	**Total HK$'000**	Trading of tiles and engineering operations products HK$'000	Gaming and hotel operations HK$'000	Total HK$'000
Turnover – external sales	**7,913**	**–**	**7,913**	9,845	–	9,845
Segment results	**(2,493)**	**(1,282)**	**(3,775)**	(6,008)	–	(6,008)
Other income			**1,824**			–
Share-based payment expense			**(61,469)**			–
Unallocated general and administrative expenses			**(16,171)**			–
Loss before taxation			**(79,591)**			(6,008)

8. Segment Information

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

Segment assets

	2013 HK$'000	2012 HK$'000
Trading of tiles and engineering operations products	36,445	11,444
Gaming and hotel operations	257,908	–
Segment assets	294,353	11,444
Unallocated assets		
Bank balances and cash	359,635	25,603
Equipment	73	–
Other receivables and deposits	1,210	313
Consolidated assets	655,271	37,360

Segment liabilities

	2013 HK$'000	2012 HK$'000
Trading of tiles and engineering operations products	33,325	7,763
Gaming and hotel operations	372	–
Segment liabilities	33,697	7,763
Unallocated liability		
Other payables and accruals	4,765	269
Consolidated liabilities	38,462	8,032

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the loss before taxation incurred by each segment without allocation of bank interest income, share-based payment expense, unallocated net foreign exchange gain (loss) and unallocated general and administrative expenses. This is the measure reported to the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance.

8. Segment Information (continued)

Other segment information

	2013				2012			
	Trading of tiles and engineering operations products HK$'000	Gaming and hotel operations HK$'000	Unallocated HK$'000	Consolidated HK$'000	Trading of tiles and engineering operations products HK$'000	Gaming and hotel operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Write back of provision for stock obsolescence	68	–	–	68	108	–	–	108

Geographical information

The information of the Group's non-current assets by geographical location of assets is detailed below:

	Non-current assets 2013 HK$'000	2012 HK$'000
Hong Kong	73	–
Russian Federation	257,908	–
	257,981	–

Information about major customers

Included in revenue arising from trading of tiles and engineering operations products are revenue of approximately HK$1,949,000 (2012: HK$2,451,000) which arose from sales to the Group's largest customer. No other single customers contributed 10% or more to the Group's revenue for both 2013 and 2012.

9. Income Tax Credit

Income tax credit for the year ended 31 December 2013 represents overprovision of income tax in prior years (31 December 2012: Nil).

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

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

	2013 HK$'000	2012 HK$'000
Loss before taxation	**(79,591)**	(6,008)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**(13,133)**	(991)
Tax effect of expenses not deductible in determining taxable profit	**12,026**	–
Tax effect of income not taxable in determining taxable profit	**(161)**	–
Tax effect of share of loss of joint ventures	**211**	–
Tax effect of tax losses not recognised	**1,057**	991
Overprovision in prior years	**(51)**	–
Tax credit for the year	**(51)**	–

At the end of the reporting period, the Group has unused tax losses of HK$8,484,000 (2012: HK$2,080,000) available for offset against future profits. No deferred tax assets have been recognised on such tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

10. Loss for the year

	2013 HK$'000	2012 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,300**	609
Directors' remunerations (Note 11)	**59,844**	914
Salaries, wages, bonus and other benefits	**4,359**	4,553
Contributions to retirement benefits schemes, excluding directors	**403**	291
Share-based compensation benefits, excluding directors and consultants	**146**	515
Total staff costs	**4,908**	5,359
Share-based compensation benefits to consultants	**2,115**	1,053
Legal and professional fees (Note)	**11,424**	234
Minimum lease payments under operating leases	**531**	525
Cost of inventories recognised as an expense	**5,219**	6,877
Bank interest income	**(976)**	–
Net foreign exchange gain	**(848)**	–
Write back of provision for stock obsolescence	**(68)**	(108)

Note: The amounts in 2013 mainly represented the legal and professional fees incurred in relation to acquisition of 46% ownership interests in Oriental Regent.

11. Directors' and Chief Executive's Emoluments

The emoluments paid or payable to each of the five (2012: four) directors and the chief executive were as follows:

	Year ended 31 December 2013					
	Director and Chief Executive	**Directors**				
	(Note)	**(Note)**				
	Ho, Lawrence Yau Lung HK$'000	**Wang, John Peter Ben HK$'000**	**Tsui Yiu Wa, Alec HK$'000**	**Pang Hing Chung, Alfred HK$'000**	**Tyen Kan Hee, Anthony HK$'000**	**Total HK$'000**
Fees	**–**	**180**	**168**	**120**	**168**	**636**
Other emoluments						
Salaries and other benefits	**–**	**–**	**–**	**–**	**–**	**–**
Contributions to retirement benefits schemes	**–**	**–**	**–**	**–**	**–**	**–**
Share-based compensation benefits	**59,208**	**–**	**–**	**–**	**–**	**59,208**
Total emoluments	**59,208**	**180**	**168**	**120**	**168**	**59,844**

	Year ended 31 December 2012				
	Director and Chief Executive	Directors			
	Wang, John Peter Ben HK$'000	Tsui Yiu Wa, Alec HK$'000	Pang Hing Chung, Alfred HK$'000	Tyen Kan Hee, Anthony HK$'000	Total HK$'000
Fees	180	163	120	163	626
Other emoluments					
Salaries and other benefits	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	–	–
Share-based compensation benefits	72	72	72	72	288
Total emoluments	252	235	192	235	914

Note: On 10 July 2013, Mr. Ho, Lawrence Yau Lung was appointed as a non-executive director and Chairman while Mr. Wang, John Beter Ben has resigned as the chairman and he remained as an executive director of the Company and re-designated as the deputy chairman.

No directors waived any emoluments in both years.

12. Employees' Emoluments

The five highest paid individuals included one (2012: nil) director, details of whose emoluments are set out in note 11. The emoluments of the remaining four (2012: five) individuals were as follows:

	2013 **HK$'000**	2012 HK$'000
Salaries and other benefits	**2,174**	2,301
Discretionary and performance related incentive payments	**814**	838
Contributions to retirement benefits schemes	**197**	203
Share-based compensation benefits	**–**	257
	3,185	3,599

Their emoluments were within the following bands:

	Number of employees	
	2013	2012
Nil to HK$1,000,000	**3**	4
HK$1,500,001 to HK$2,000,000	**1**	1

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.

13. Dividends

No dividend was paid or proposed during the years ended 31 December 2013 and 2012, nor has any dividend been proposed since the end of the reporting period.

14. Loss per share

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

	2013 **HK$'000**	2012 HK$'000
Loss for the purposes of basic and diluted loss per share	**(79,540)**	(6,008)

14. Loss per share (continued)

	Number of shares (in thousands)	
		(Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted losses per share	**614,353**	561,537

The weighted average numbers of ordinary shares for the purpose of basic and diluted loss per share have been adjusted for the bonus element of the Open Offer and subdivision of shares on 18 April 2013 and 3 June 2013, respectively, as detailed in note 22.

The computation of diluted losses per share does not assume exercise of share options since their exercise would result in a decrease in loss per share.

15. Equipment

	Office equipment HK$'000
COST	
At 1 January 2012, 31 December 2012 and 1 January 2013	–
Additions	74
At 31 December 2013	74
DEPRECIATION	
At 1 January 2012, 31 December 2012 and 1 January 2013	–
Provided for the year	1
At 31 December 2013	1
CARRYING VALUE	
At 31 December 2013	73
At 31 December 2012	–

16. Investments in Joint Ventures

Details of the Group's investments in joint ventures are as follows:

	2013 HK$'000	2012 HK$'000
Cost of unlisted investment in joint ventures	**261,043**	–
Share of post-acquisition loss and other comprehensive expense	**(3,135)**	–
	257,908	–

On 10 July 2013, a wholly owned subsidiary of the Company, Summit Ascent Russia Limited has entered into an investment agreement ("Investment Agreement") with New Crescent, Firich Investment Limited ("Firich"), Elegant City Group Limited ("Elegant City") and Oriental Regent. Firich, Elegant City and Oriental Regent are independent third parties to the Group. The Investment Agreement provides that Summit Ascent Russia Limited will make an investment in a gaming and resort development project in Russia, by subscribing new shares of Oriental Regent, representing 46% of the enlarged issued share capital of Oriental Regent upon completion pursuant to the terms and conditions of the Investment Agreement. The Investment Agreement has been completed on 31 October 2013 and the consideration paid by the Group is approximately HK$184,383,000. Pursuant to certain terms and conditions in the shareholders' agreement, the relevant activities of Oriental Regent require unanimous written approval of all of the members of the board of Oriental Regent or the unanimous consent of the shareholders of Oriental Regent and accordingly, Oriental Regent is classified as a joint venture of the Group.

On 25 November 2013, pursuant to the Investment Agreement, each shareholder is required to invest additional amount in accordance with their respective shareholding in Oriental Regent and the consideration paid by the Group is approximately HK$76,660,000.

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group 2013	2012	Proportion of voting rights held by the Group 2013	2012	Principal activity
Oriental Regent	Incorporated	Hong Kong	Hong Kong	Ordinary	**46%**	–	**25%**	–	Investment holding
First Gambling Company of the East LLC (Note)	Incorporated	Russian Federation	Russian Federation	Chartered	**46%**	–	**25%**	–	Development of hotel and gaming business in the Integrated Entertainment Zone in Russia Federation

Note: First Gambling Company of the East LLC ("FGCE") is a wholly-owned subsidiary of Oriental Regent.

16. Investment in Joint Ventures (continued)

Summarised financial information of joint ventures

Summarised financial information in respect of the Group's joint venture, on a consolidation basis, is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Oriental Regent

	2013 HK$'000
Current assets	
Bank balances and cash	**305,562**
Others	**15,873**
	321,435
Non-current assets	
Construction in progress	**164,124**
Long term prepayments, other receivables and other asset	**125,908**
Others	**997**
	291,029
Current liabilities	
Other payables	**27,773**
Others	**247**
	28,020
Non-current liability	
Long term payables	**23,774**

16. Investment IN Joint Ventures (continued)

Summarised financial information of joint ventures (continued)

Oriental Regent (continued)

	2013 HK$'000
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	305,562
Current financial liabilities (excluding trade and other payables and provisions)	247
Non-current financial liabilities (excluding trade and other payables and provisions)	23,774

	1.11.2013 (date of acquisition) to 31.12.2013 HK$'000
Revenue	–
Loss for the year	2,786
Other comprehensive expense for the year	4,029
Total comprehensive expense for the year	6,815
The above loss for the year includes the following:	
Depreciation	–
Interest income	–
Interest expense	411
Income tax credit	102

16. Investment in Joint Ventures (continued)

Summarised financial information of joint ventures (continued)

Oriental Regent (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements is as follows:

	31.12.2013 HK$'000
Net assets of Oriental Regent	**560,670**
Proportion of the Group's ownership interests in Oriental Regent	**46%**
Carrying amount of the Group's interest in Oriental Regent	**257,908**

Oriental Regent is engaged in a gaming and resort business in Russia Federation through its wholly-owned subsidiary, First Gambling Company of the East LLC. The project is currently under development stage and in the opinion of the directors, the investment is considered strategic to the Group as it allows the Group to be engaged in the development of casino business in new geographical location.

According to the investment plan set out in the circular of the Company dated on 30 September 2013, the initial estimated total investment for the project is approximately US$130 million (equivalent to approximately HK$1,008.2 million) and accordingly, the estimated amount attributable to the Group's interest in the joint venture is approximately US$59.8 million (equivalent to approximately HK$463.7 million). At the end of the reporting period, approximately US$59.4 million (equivalent to approximately HK$460.6 million) is still outstanding to be invested, of which the amount attributable to the Group's interest is approximately US$27.3 million (equivalent to approximately HK$211.7 million).

The Investment Agreement provides that the shareholders of Oriental Regent will first seek external debt financing for that outstanding amount. If external financing is obtained, the shareholders of Oriental Regent have the right to substitute its own funds for all or part of the external financing. To the extent that external financing is unavailable or insufficient, the shareholders of Oriental Regent will fund the shortfall, either in the form of equity or shareholders' loans, pro rata to their respective shareholdings in Oriental Regent. In addition, the Investment Agreement also includes provisions enabling the shareholders of Oriental Regent to provide another shareholder's funding where the other shareholders of Oriental Regent is unable to do so, thereby diluting the percentage shareholding of the non-funding shareholder.

In addition, the Investment Agreement also provides that FGCE shall enter into a management contract with the Group or an affiliate of the Group, to manage the entire operations of FGCE, for a fee of 3% of gross gaming revenue generated by FGCE (less any withholding tax or other deductions FGCE is required by law to make).

17. INVENTORIES

	2013 HK$'000	2012 HK$'000
Goods held for trading	**81**	5

18. Trade and Other Receivables

	2013 HK$'000	2012 HK$'000
Trade receivables	**1,896**	772
Prepayments to a supplier	**28,426**	55
Other receivables, deposits and prepayments	**7,252**	10,216
	37,574	11,043

Included in other receivables is an amount of HK$6,042,000 (2012: HK$9,902,000) due from Arnhold & Co., Ltd. ("ACL"), a company controlled by a director of a subsidiary of the Company. The receivables mainly arisen from sales receipts collected on behalf of a subsidiary of the Company. The receivables are unsecured, non-interest bearing and repayable on demand. No provisions are held against the receivables from ACL (2012: Nil).

The Group allows an average credit period of 30 to 90 days to its trade customers. All of the Group's trade receivables are within their credit terms with no default history and neither past due nor impaired.

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

	2013 HK$'000	2012 HK$'000
Within 30 days	**1,032**	291
31 - 90 days	**864**	481
	1,896	772

19. Bank Balances and Cash

Bank balances carry interest at market rates which ranges from 0.001% to 1.2% (2012: 0.001% to 0.1%) per annum.

20. Trade and Other Payables

	2013 HK$'000	2012 HK$'000
Trade payables	**1,004**	1,299
Accruals and other payables	**6,775**	5,858
Deposits received from customers	**30,311**	875
	38,090	8,032

20. Trade and Other Payables (continued)

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

	2013 HK$'000	2012 HK$'000
Within 30 days	**462**	487
31 - 90 days	**266**	263
over 90 days	**276**	549
	1,004	1,299

The average credit period on purchases of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

21. Amount Due to a Joint Venture

The amount is unsecured, non-interest bearing and repayable on demand.

22. Share Capital of the Company

	Number of shares		Share capital	
	2013	2012	**2013** **HK$'000**	2012 HK$'000
Authorised:				
Shares of HK$0.1 each at 1 January	**800,000,000**	800,000,000	**80,000**	80,000
Subdivision of shares (Note a)	**800,000,000**	–	**–**	–
Shares at HK$0.05 each at 31 December	**1,600,000,000**	800,000,000	**80,000**	80,000
Issued and fully paid:				
Shares of HK$0.1 each at 1 January	**237,939,584**	237,939,584	**23,794**	23,794
Shares issued under Open Offer (Note b)	**71,381,875**	–	**7,138**	–
Exercise of share options				
– before subdivision of shares	**500,000**	–	**50**	–
– after subdivision of shares	**5,746,000**	–	**287**	–
Subdivision of shares (Note a)	**309,821,459**	–	**–**	–
Shares issued under placement (Note c)	**53,918,000**	–	**2,696**	–
At 31 December	**679,306,918**	237,939,584	**33,965**	23,794

22. Share Capital of the Company

Notes:

(a) On 3 June 2013, the Company had completed a capital reorganisation in which each of the existing issued and unissued shares of par value of HK$0.10 each in the share capital of the Company has been subdivided into two subdivided shares of par value of HK$0.05 each. Following the effective date of share subdivision, the authorised share capital of the Company becomes HK$80,000,000 divided into 1,600,000,000 subdivided shares of HK$0.05 each, of which 619,642,918 subdivided shares were in issue and fully paid.

(b) In April 2013, the Company raised gross proceeds of approximately HK$85.7 million by issuing 71,381,875 new shares in the Company of HK$0.10 each in an open offer on the basis of three offer shares for every ten existing shares at a subscription price of HK$1.20 per offer share ("Open Offer"). The net proceeds, after deduction of related expenses, of approximately HK$84.3 million from the Open Offer is applied for general working capital purposes and for financing new investment opportunities.

(c) In October 2013, 53,918,000 shares (the "Placing Shares") of the Company of HK$0.05 each was issued and sold at the price of HK$10.00 per share (the "Placing Price") pursuant to the Placing and Subscription Agreement entered into among Quick Glitter Limited, a company owned by Mr. Ho, Lawrence Yau Lung, non-executive director and Chairman of the Company (the "Vendor"), Mr. Wang, John Peter Ben, director of the Company, the Company and Deutsche Bank, the sole placing agent (the "Placing Agent) in which the Vendor has sold and the Placing Agent has purchased the Placing Shares at the Placing Price; and the Vendor has subscribed for, and the Company has issued, such number of shares as equal to the number of Placing Shares sold by the Vendor at the price equals to the Placing Price. The net proceeds, after deduction of related expenses, of approximately HK$517.9 million have been used to fund the joint ventures' investment in the gaming and resort development project in Russia.

23. Share-Based Payment Transactions

Equity-settled share option scheme of the Company:

Pursuant to an extraordinary general meeting held on 7 July 2011, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") and the termination of the previous share option scheme adopted on 11 July 2002.

Under the 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 (the "Participants") share options to subscribe for the shares, subject to the terms and conditions stipulated therein.

The purpose of the Scheme is to recognise the contribution of the Participants who 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.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the shares in issue as at the date of the adoption of the Scheme, provided that the Company seeks approval from shareholders to refresh such limit. Moreover, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme (and under any other scheme of the Company) shall not exceed 30% of the shares in issue from time to time. As at 31 December 2013, the number of shares in respect of the options granted and remained outstanding under the Scheme was 25,132,000 (2012: 4,050,000), representing 3.7% (2012: 1.7%) of the issued shares of the Company and the number of shares available for issue under the Scheme was 15,709,916 (2012: 19,743,958), representing 2.3% (2012: 8.3%) of the issued shares of the Company. The maximum entitlement of each Participant under the Scheme in any 12-month period is 1% of the shares in issue from time to time.

The period within which an option may be exercised will be determined by the Board at its absolute discretion but no option may be exercised later than 10 years from the date on which the option is granted. 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 option is HK$1.

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

23. Share-Based Payment Transactions (continued)

Equity-settled share option scheme of the Company: (continued)

The following table discloses movements of the Company's share options held by directors, employees and consultants during the year:

	Number of share options									
		Before Open Offer and Share Subdivision				After Open Offer and Share Subdivision				
Category of Participants	As at 1 January 2012, 31 December 2012 and 1 January 2013	Granted	Exercised	Adjustment for open offer (note i)	Adjustment for share subdivision (note ii)	Granted	Exercised	As at 31 December 2013	Date of grant	Exercise price (note i, ii) HK$
Director (note v)	–	–	–	–	–	20,000,000	–	20,000,000	10 July 2013	3.46
Directors (note iii)	1,000,000	–	–	180,000	1,180,000	–	(200,000)	2,160,000	26 August 2011	0.75
Employees (note iv)	500,000	–	(250,000)	45,000	295,000	–	(590,000)	–	26 August 2011	0.75
Consultants (note iv)	2,550,000	–	(250,000)	414,000	2,714,000	–	(4,956,000)	472,000	26 August 2011	0.75
Consultants (note v)	–	–	–	–	–	2,500,000	–	2,500,000	10 July 2013	3.46
Total	4,050,000	–	(500,000)	639,000	4,189,000	22,500,000	(5,746,000)	25,132,000		
Exercisable at the end of the year								8,257,000		
Weighted average exercise price	0.75	–	0.75	0.75	0.75	3.46	0.75	3.18		

23. Share-Based Payment Transactions (continued)

Equity-settled share option scheme of the Company: (continued)

Notes:

(i) Upon the completion of the Open Offer in April 2013, the exercise price per share and number of the outstanding share options granted on 26 August 2011 were adjusted from HK$1.77 to HK$1.50 and from 3,550,000 to 4,189,000 respectively.

(ii) As a result of the Share Subdivision which was effective on 3 June 2013, the exercise price per share and number of outstanding share options granted on 26 August 2011 were adjusted from HK$1.50 to HK$0.75 and from 4,189,000 to 8,378,000 respectively.

(iii) The share options are divided equally into 2 tranches exercisable from 26 August 2011 and 26 August 2012 respectively to 25 August 2021.

(iv) The share options are divided equally into 2 tranches exercisable from 26 August 2012 and 26 August 2013 respectively to 25 August 2021.

(v) The share options are divided equally into 4 tranches exercisable from 31 October 2013, 31 October 2014, 31 October 2015 and 31 October 2016 respectively to 9 July 2018. The director is Mr. Ho, Lawrence, Yau Lung.

(vi) During the year, no share options lapsed or were cancelled under the Scheme. In respect of the share options exercised during the year, the weighted average share price at the dates of exercise and weighted average closing price of the shares immediately before the dates on which the options were exercised were HK$7.89 and HK$7.66, respectively. No share option was exercised in 2012.

There is no movement of the Company's share options held by directors, employees and consultants during the prior year.

During the year ended 31 December 2013, the Company granted a total of 22,500,000 share options under the Scheme to a director and certain consultants of the Company. The grant of options to the director has been approved by the shareholders of the Company at a special general meeting held on 17 October 2013 since the options granted exceeded 1% of the shares then in issue and have an aggregate value, based on the latest available closing price of the shares as at the date of grant, in excess of HK$5,000,000. The validity period of the options is five years from the date of grant of the options, i.e. from 10 July 2013 to 9 July 2018. The options will entitle the grantees to subscribe for a total of 22,500,000 new shares of HK$0.05 each at an exercise price of HK$3.46 per share. The vesting periods of the grants are from the date of grant to the beginning of the exercisable periods. The estimated fair value for options granted during the year is approximately HK$182,658,000, comprising HK$178,377,000 for options granted to the director and HK$4,281,000 for options granted to the consultants.

23. Share-Based Payment Transactions (continued)

Equity-settled share option scheme of the Company: (continued)

The fair value was calculated using the Binomial model with inputs into the model as follows:

		Share options grant date	
	10 July 2013 (Consultants)	17 October 2013 (Directors)	26 August 2011
Share price at date of grant	HK$3.46	HK$11.96	HK$1.60
Exercise price	HK$3.46	HK$3.46	HK$1.77
Expected volatility	60%	60%	55%
Expected life	5 years	4.7 years	10 years
Risk-free rate	1.37%	0.98%	1.76%
Expected dividend yield	0%	0%	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1,300 days. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a total expense of HK$61,469,000 for the year ended 31 December 2013 (2012: HK$1,856,000) in relation to share options granted by the Company, of which HK$61,022,000 (2012: Nil) was in respect of share options granted during the year.

24. RETIREMENT BENEFIT PLAN

Defined contribution plan

The plan for employees in Hong Kong is registered under the Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs of HK$25,000 with effective from 1 June 2012 per employee, which contribution is matched by the employees.

The amount charged to profit or loss of HK$403,000 (2012: HK$291,000) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plans.

At 31 December 2013 and 2012, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years.

25. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**304**	253
In the second to fifth years inclusive	**248**	–
	552	253

Operating lease payments represent rentals payable by the Group for certain of its office properties. The leases are negotiated for an average term of one to two years for both years.

26. CAPITAL COMMITMENTS

The Group's share of the capital commitments made jointly with other joint venturers relating to its joint venture, Oriental Regent Limited, is as follows:

	2013 **HK$'000**	2012 HK$'000
Commitments to contribute funds for the acquisition of property, plant and equipment	**54,440**	–

27. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in this consolidated financial statements, the Group entered into the following transactions with related parties during the year:

	2013 **HK$'000**	2012 HK$'000
Operating lease rentals expense	**288**	288
Service fees expense	**240**	–

The operating lease rentals for the years ended 31 December 2013 and 2012 were paid to a related company controlled by one of the key management personnel of a subsidiary of the Company.

The service fees for the year ended 31 December 2013 were paid to a related company controlled by a key management personnel of the Company.

27. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The emoluments of directors and other members of key management during the year were as follows:

	2013 **HK$'000**	2012 HK$'000
Short-term benefits	**636**	626
Share-based payments	**59,208**	288
	59,844	914

Certain shares of the Company were issued to key management upon exercise of shares options granted to them under the share option scheme as disclosed in note 23. The estimated fair value of such share options are recognised as share-based payments expense for both years based on the accounting policy described in Note 3. As at 31 December 2013, Mr. Ho, Lawrence Yau Lung, a non-executive director and Chairman of the Company, and Mr. Wang, John Peter Ben, an executive director of the Company, are shareholders of the Company and the shareholding of Mr. Ho, Lawrence Yau Lung gives him significant influence over the Group.

The emoluments of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

28. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Particulars of issued share capital		Proportion of nominal value of issued ordinary share held by the Company				Principal activities
					Directly		Indirectly		
			2013	2012	2013	2012	2013	2012	
Easy Market Trading Limited	British Virgin Islands ("BVI")	Hong Kong	642,723 ordinary shares of US$642,723	642,723 ordinary shares of US$642,723	100%	100%	–	–	Investment holding
Colour Castle Limited #	BVI	Hong Kong	1 ordinary share of US$1	N/A	100%	N/A	–	N/A	Investment holding
Summit Ascent Russia Limited #	BVI	Hong Kong	1 ordinary share of US$1	N/A	100%	N/A	–	N/A	Investment holding
Arnhold Trading Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	1 ordinary share of HK$1	–	–	100%	100%	Trading of tiles and engineering operations products
Worth Apex Limited #	Hong Kong	Hong Kong	1 ordinary share of HK$1	N/A	–	N/A	100%	N/A	Trading of tiles and engineering operations products

Newly set up in 2013.

No debt security has been issued by any of the subsidiaries at any time during the year or is outstanding at the end of the year.

29. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2013 HK$'000	2012 HK$'000
Non-current assets		
Equipment	**73**	–
Unlisted investments in subsidiaries	**266,056**	5,000
	266,129	5,000
Current assets		
Other receivables	**1,114**	226
Amounts due from subsidiaries	**3,128**	3,065
Bank balances and cash	**358,492**	24,958
	362,734	28,249
Current liabilities		
Trade and other payable	**3,876**	1,705
Amount due to subsidiaries	**5,000**	5,000
Amount due to a joint venture	**372**	–
	9,248	6,705
Net current assets	**353,486**	21,544
Net assets	**619,615**	26,544
Capital and reserves		
Share capital (Note 22)	**33,965**	23,794
Reserves (Note)	**585,650**	2,750
Total equity	**619,615**	26,544

29. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY

Note: Movement in reserves

	Share premium HK$'000	Share-based compensation reserve HK$'000	Retained profits (accumulated loss) HK$'000	Total HK$'000
At 1 January 2012	2,146	1,308	1,368	4,822
Loss and total comprehensive loss for the year	–	–	(3,928)	(3,928)
Recognition of equity-settled share-based payments	–	1,856	–	1,856
At 31 December 2012 and 1 January 2013	2,146	3,164	(2,560)	2,750
Loss and total comprehensive loss for the year	–	–	(75,803)	(75,803)
Exercise of share options	7,220	(2,363)	–	4,857
Recognition of equity-settled share-based payments	–	61,469	–	61,469
Shares issued	615,004	–	–	615,004
Transaction costs attributable to issue of shares	(22,627)	–	–	(22,627)
At 31 December 2013	601,743	62,270	(78,363)	585,650

OTHER FINANCIAL INFORMATION

Five-year Financial Summary

	2009 HK$'000	Continuing and discontinued operations 2010 HK$'000	Continuing and discontinued operations 2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Results					
Turnover	364,089	379,746	92,813	9,845	**7,913**
Operating profit/(loss)	2,734	13,263	3,282	(6,008)	**(80,567)**
Finance income	320	344	34	–	**976**
Finance costs	(11)	–	–	–	**–**
Loss on disposal of subsidiaries	–	–	(329)	–	**–**
Profit/(loss) before income tax	3,043	13,607	2,987	(6,008)	**(79,591)**
Income tax (expenses) credit	(1,851)	(2,261)	(1,012)	–	**51**
Profit/(loss) attributable to shareholders	1,192	11,346	1,975	(6,008)	**(79,540)**
Proposed final/special dividend	12,424	196,990	–	–	**–**
Assets and liabilities					
Total assets	308,933	328,525	43,721	37,360	**655,271**
Total liabilities	(89,655)	(103,638)	(10,241)	(8,032)	**(38,462)**
Shareholders' funds	219,278	224,887	33,480	29,328	**616,809**