亚洲陶瓷控股有限公司
ASIA CERAMICS HOLDINGS PLC

LOUIS VALENTINO PORCELLANATO | BALLY

ASIA CERAMICS HOLDINGS PLC
Trading Symbol of London Stock Exchange:ACHP

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

COMPANY INFORMATION

Directors	Frank Lewis	Non-Executive Chairman
	Dr Dingxin Pu	Executive Director
	Shouyuan Wu	Executive Finance Director
	Yangjing Zhang	Executive Director
	Weifeng Liu	Executive Director
	Wenxian Liu	Non-Executive Director
	Alei Duan	Non-Executive Director
Secretary	Dongen Jin	
Company registration number	105875 (Jersey)	
Registered office	12 Castle Street St. Helier Jersey JE2 3RT	
Auditors	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW	
Nominated adviser and broker	W H Ireland Limited 24 Martin Lane London EC4R 0DR	
Jersey legal counsel	Carey Olsen 47 Esplanade St Helier Jersey JE1 0BD	

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Highlights include:

- Profit for the year at £21k (2012: £57k)
- Net assets at £956k (2012: £935k)
- Cash at bank of £288k (2012: £497k)
- Basic EPS 0.20 pence (2012: 0.52 pence)

Chairman's Statement

Introduction

I have great pleasure in presenting the Report and Accounts for Asia Ceramics Holdings Plc for the financial year ending 31 December 2013.

Results

The Group's turnover for the year to 31 December 2013 was £11 million (2012: £9.6 million). The profit for the year was £21k (2012: £57k).

Review for the year

The Group's main trading activity is the export of ceramic products from China, which has grown significantly during the year under review. The Group's main export markets are Europe, Asia, Far East, America and Australia. Export sales for the year ended 31 December 2013 amounted to £8.6 million of sales (2012: £7.8 million), which represented 78% (2012: 81%) of Group turnover for the year.

Due to the increase in costs in China in 2013, as well as the increase in competition, there was a reduction in gross margin which impacted on the Group's profitability for the year.

Employees

The Board would like to extend their personal thanks to all employees of the Group for their enthusiasm, hard work and commitments. In particular the Board would like to thank the Chief Executive Officer, Dr Dingxin Pu, for his continued contribution to the development of the Group.

Outlook

The Board is actively taking steps to improve the gross margin, as well as to achieve further sales in its export markets, as well as in China, and thus increase the Group's profit in 2014.

I look forward to reporting further progress in my interim statement at the half year.

Frank Lewis
Chairman
28 April 2014

CHIEF EXECUTIVE OFFICER'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

The Group was established in July 2010 to distribute and sell ceramic wall and floor tiles, sanitary ware products and other home improvement products in China and internationally.

Financial Performance

- Group net sales of £11 million (2012: £9.6 million)
- Profit for the year of £21k (2012: £57k)

Group operating net cash used for the year ended 31 December 2013 was £49k (2012: £321k). Cash at bank at 31 December 2013 was £288k (2012: £497k).

Operations

During the year to 31 December 2013, the Group employed 69 (2012: 65) members of staff. The head office is in Foshan as well as the main showroom.

The Group's administration, information technology, human resources, finance, sales and marketing is controlled from the head office in Foshan. The Group also designs its own ceramic tiles, and enters into contracts with OEM suppliers to manufacture its own designed products.

The Group's main trading operations are:

- Our export division that exports ceramic and sanitary ware product internationally; and
- Three retail stores, one in Hong Kong, the other two in mainland China that sell ceramic and sanitary ware products.

The head office in Foshan:

- seeks appropriate locations for stores;
- provides IT, logistics, finance and administration support;
- manages the wholesale and export division;
- provides training for the staff;
- ensures that all rules and regulations are complied with; and
- ensures that the UK Bribery Act of 2010 is complied with.

Outlook

We are looking to make further progress in increasing sales in our export division and improving gross margin, despite the difficult trading conditions as well as in our domestic markets. I look forward therefore, to demonstrating further growth in profits and building shareholders' value in 2014.

Dr Dingxin Pu
Chief Executive Officer
28 April 2014

Principles of Corporate Governance

As a company listed on AIM, the company is not governed by the Combined Code adopted by the London Stock Exchange ('the Combined Code') but is required to operate principles of good governance and best practice. Accordingly, the directors are committed to the Combined Code and believe that an effective system of corporate governance supports the enhancement of shareholder value. These principles have been in place since the company's listing on 6 September 2010.

The directors acknowledge the importance of the Combined Code and intend, following Admission, to continue to apply its principles so far as is practicable taking into account the company's size and stage of development. The company has three non-executive directors.

The directors have established an audit committee (the "Audit Committee"), a remuneration committee (the "Remuneration Committee") and an AIM rules compliance committee (the "AIM Rules Compliance Committee") with formally delegated duties and responsibilities to operate with effect from Admission.

Audit Committee

The Audit Committee, which initially comprise Frank Lewis as Chairman, as well as Alei Duan and Wenxian Liu, will determine and examine any matters relating to the financial affairs of the company including the terms of engagement of the Group's auditor and, in consultation with the auditors, the scope of the audit. The Audit Committee will receive and review reports from the management and the external auditors of the Group relating to the annual and interim accounts and the accounting and internal control systems of the Group. In addition, it will consider the financial performance, position and prospects of the company and ensure they are properly monitored and reported on.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the company's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the executive directors and senior employees, including performance related bonus schemes, pension rights and compensation payments.

The Remuneration Committee, which comprise Frank Lewis, Alei Duan and Wenxian Liu with Frank Lewis acting as Chairman, will review the performance of the executive directors and senior management, set and review their remunerations and the terms of their service contracts, determine the payment of bonuses to the executive directors and consider the Group's bonus and option schemes.

AIM Compliance Committee

In addition, the Board has established an AIM Rules Compliance Committee comprising Frank Lewis and Shouyuan Wu which has responsibility for ensuring that the company complies fully with the AIM Rules.

The directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by the company's applicable employees. The company has adopted and operates a share dealing code for directors, and employees in accordance with the AIM Rules.

The Board

The Board is responsible to shareholders for the proper management of the company. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. The Board has a formal schedule of matters reserved to it and has discussions on a monthly basis since its listing on the AIM. The Board is responsible for overall strategies, reviewing management accounts, approval of major capital expenditure projects and consider of significant financing matters.

Directors

During the year, the Board comprised the non-executive chairman Frank Lewis (London based), the chief executive officer, the finance director, two executive directors and two further non-executive directors, one being based in London.

Internal Controls

The directors are responsible for the company's system of internal controls and reviewing its effectiveness. The Board has designed the company's system of internal controls in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal controls can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatements or losses.

The key elements of the control systems in operation are:

- the Board meets regularly with a formal schedule of matters reserved to it for decision;
- it has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority;
- established procedures for the planning, approval and monitoring of capital expenditure and information systems for monitoring the company's financial performance against approved budgets and forecasts;
- departmental heads are required annually to undertake a full assessment process to identify and quantify the risks that face their businesses and functions and assess the adequacy of the prevention, monitoring and modification practices in place for those risks;
- significant risks and associated controls and monitoring procedures are reported regularly to the Board to enable the directors to review the effectiveness of the system of internal controls.

Relations with shareholders

The Board attaches great importance to maintain a good relationship with shareholders. The Board regards the annual general meeting as a good opportunity to communicate directly with investors who are encouraged to make inquiries to officers of the company.

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

Principal activities

The principal activity of the Group is the sale of ceramic wall and floor tiles and sanitary ware products in China and internationally.

Business review

A detailed review of the business and a description of the main trends and factors likely to affect the future development, performance and position of the Group can be found in the Chairman's Statement and Chief Executive Officer's Statement on pages 3 and 4.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historic results. The Board monitors risks on an ongoing basis and implements appropriate procedures and processes to try and mitigate the adverse consequences of such risks.

The business faces two principal risks. Firstly, the Group needs to expand and retain its current position in the retail ceramic industry. Future growth will be both organic and through potential acquisitions. There are a number of uncertainties relating to future acquisitions and there can be no guarantee that the Group will be able to expand as envisaged. Secondly, the Group may need to raise additional capital to fund its future expansion. There can be no assurance that the Group will be able to obtain such funding.

In addition, the financial instruments and risk profiles of the Group are set in note 27 on page 35.

Results and dividends

The results of the year are set out in the Statement of Comprehensive Income.

The directors do not recommend a dividend payment for the year.

Directors and their interests

The following directors have held office during the year and their interests as at 31 December 2013, all of which are beneficial unless otherwise stated; whether direct or indirect, of the directors and their families in the issued share capital of the company is as follows:

Director	*Number of Ordinary Shares*	*Percentage of Ordinary Shares*
Dr Dingxin Pu	7,572,071	68.90%
Yangjing Zhang	72,180	0.66%
Weifeng Liu	92,803	0.84%
Frank Lewis	-	-
Alei Duan	185,700	1.69%
Wenxian Liu	742,424	6.76%
Shouyuan Wu	-	-

Directors' remuneration

	2013 £'000	2012 £'000
Frank Lewis	**32**	32
Dr Dingxin Pu	**61**	59
Yangjing Zhang	**17**	17
Weifeng Liu	**17**	18
Alei Duan	**10**	10
Wenxian Liu	**-**	-
Shouyuan Wu	**18**	18
	155	154

Employment policies

The Group pursues a policy of equal opportunities to all employees and potential employees. The Group has continued its policy of giving fair consideration to applications for employment made by disabled persons, bearing in mind the requirements for skills and aptitude for the job. In the areas of planned employee training and career development, the Group strives to ensure that disabled employees receive equal treatments, including opportunities for promotion. Every effort is made to ensure that continuing employment and opportunities are also provided for employees who become disabled. It is the Company's policy to take views of employees into account in making decisions, and wherever possible to encourage the involvement of employees in Group's performance.

Payments to suppliers

The company's policy for the year ended 31 December 2013 is to settle payments with suppliers when agreeing the terms of the business transactions;

- ensure that suppliers are aware of the terms of payments by the inclusion of the relevant terms in contracts;
- pay in accordance with the company's contractual and other legal obligations

The number of days of trade purchases outstanding for the Group as at 31 December was 30 days.

Going concern

The directors are required to report that the business is a going concern, with supporting assumptions or qualifications as necessary. After making enquiries, the directors consider that the Group has adequate resources and committed borrowing facilities to continue in operational existence for the foreseeable future. Consequently, they have adopted the going concern basis in preparing the financial statements.

Substantial shareholders

As at 27 March 2014, the company had been notified of the following beneficial interest of 3% or more in its shares other than directors:

Name of holder	**Number of shares**	**Percentage shareholding**
Weiguo Peng	425,757	3.87%
Jianwei Huang	425,757	3.87%
Better Group (Holding) Co Limited	632,900	5.76%

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company to enable them to ensure that the financial statements comply with the Companies (Jersey) Law, 1991. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

The Directors have confirmed that:
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the necessary steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

In accordance with Article 109 of the Companies (Jersey) Law 1991, a resolution proposing that UHY Hacker Young be re-appointed for the forthcoming year will be put to the Annual General Meeting.

By order of the Board

Dr Dingxin Pu
Director
28 April 2014

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ASIA CERAMICS HOLDINGS PLC

We have audited the financial statements of Asia Ceramics Holdings Plc for the year ended 31 December 2013 which comprise the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's and the parent company's profit or loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received any information or explanation that was necessary for our audit.

Julie Wilson
for and on behalf of UHY Hacker Young
Chartered Accountants
Quadrant House
4 Thomas More Square
London E1W 1YW

28 April 2014

The maintenance and integrity of the Asia Ceramics Holdings Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website; and legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**Group Year ended 31 December 2013 £'000**	Group Year ended 31 December 2012 £'000	**Company Year ended 31 December 2013 £'000**	Company Year ended 31 December 2012 £'000
Revenue	**5**	**10,998**	9,577	**-**	-
Cost of sales		**(9,204)**	(7,850)	**-**	-
Gross profit		**1,794**	1,727	**-**	-
Distribution expenses		**(766)**	(694)	**-**	-
Administrative expenses		**(914)**	(868)	**(144)**	(147)
Profit /(loss) from operation		**114**	165	**(144)**	(147)
Non-operating income/(expenses)		**(7)**	(10)	**-**	-
Net finance income /(costs)	**8**	**(71)**	7		
Profit /(loss) before taxation		**36**	162	**(144)**	(147)
Income tax expenses	**9**	**(15)**	(105)	**-**	-
Profit /(loss) for the year		**21**	57	**(144)**	(147)
Other comprehensive income					
Exchange difference arising on translation of foreign operations		**-**	-		
Total comprehensive income for the year attributable to equity holders		**21**	57		
Earnings per ordinary share (pence)	**10**				
Basic		**0.20**	0.52		
Diluted		**0.20**	0.52		

The notes on pages 15 to 37 form part of these financial statements.

All amounts are derived from continuing operations

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	Note	2013 £'000 Group	2012 £'000 Group	2013 £'000 Company	2012 £'000 Company
Non-current assets					
Property, plant and equipment	11	151	197	-	-
Investments	12	-	-	1	1
Trade and other receivables	14	-	-	1,211	1,363
Deferred tax assets	16	32	-	-	-
		183	197	1,212	1,364
Current assets					
Inventory	13	5	4	-	-
Trade and other receivables	14	3,808	2,231	-	-
Cash and cash equivalents	15	288	497	3	3
		4,101	2,732	3	3
Total assets		4,284	2,929	1,215	1,367
Equity and reserves					
Share capital	17	55	55	55	55
Share premium	17	1,201	1,201	1,201	1,201
Other reserves	19	92	114	27	49
Retained earnings		(392)	(435)	(594)	(472)
		956	935	689	833
Current liabilities					
Borrowings	20	-	163	-	-
Income tax liabilities		68	2	-	-
Trade and other payables	21	2,760	1,327	26	34
		2,828	1,492	26	34
Non-current liabilities					
Other borrowings	20	500	502	500	500
		500	502	500	500
Total equity and liabilities		4,284	2,929	1,215	1,367

The notes on pages 15 to 37 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2014.

Dr Dingxin Pu
Chief Executive Director

Shouyuan Wu
Executive Finance Director

CONSOLIDATED AND COMPANY STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013 £'000 Group**	2012 £'000 Group	**2013 £'000 Company**	2012 £'000 Company
Net cash used in operating activities	**22**	**(49)**	(321)	**-**	324
Investing activities					
Purchase of property, plant and equipment		**(2)**	(10)	**-**	-
Interest received		**-**	1	**-**	-
Net cash used in investing activities		**(2)**	(9)	**-**	-
Financing activities					
Loans to subsidiaries		**-**	-	**-**	(455)
Proceed from investor		**-**	-	**-**	-
Bank borrowing		**-**	158	**-**	-
Repayment of bank loan		**(158)**	-	**-**	-
Net cash from financing activities		**(158)**	158	**-**	(455)
Net decrease in cash and cash equivalents		**(209)**	(172)	**-**	(131)
Cash and cash equivalents at beginning of period		**497**	669	**3**	134
Exchange difference		**-**	-	**-**	-
Cash and cash equivalents at end of period	**15**	**288**	497	**3**	3

CONDOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

Group	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2011	52	712	82	(460)	386
Comprehensive income					
Exchange difference arising on the translation of foreign operations	-	-	-	-	-
Profit for the year	-	-	-	57	57
Total comprehensive income for the year	-	-	-	57	57
Issue of shares	3	489	-	-	492
Transfer statutory reserves	-	-	32	(32)	-
Balance at 31 December 2012	**55**	**1,201**	**114**	**(435)**	**935**
Comprehensive income					
Exchange difference arising on the translation of foreign operations	**-**	**-**	**-**	**-**	**-**
Profit for the year	**-**	**-**	**-**	**21**	**21**
Total comprehensive income for the year	**-**	**-**	**-**	**21**	**21**
Share option reserve	**-**	**-**	**(22)**	**22**	**-**
Balance at 31 December 2013	**55**	**1,201**	**92**	**(392)**	**956**

Company	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2011	52	712	49	(325)	488
Comprehensive income					
Loss for the year	-	-	-	(147)	(147)
Total comprehensive income for the year	-	-	-	(147)	(147)
Share-based payment	3	489	-	-	492
Balance at 31 December 2012	**55**	**1,201**	**49**	**(472)**	**833**
Comprehensive income					
Loss for the year	**-**	**-**	**-**	**(144)**	**(144)**
Total comprehensive income for the year	**-**	**-**	**-**	**(144)**	**(144)**
Share option reserve	**-**	**-**	**(22)**	**22**	**-**
Balance at 31 December 2013	**55**	**1,201**	**27**	**(594)**	**689**

1 GENERAL INFORMATION

Asia Ceramics Holdings Plc is a company incorporated in Jersey under the Companies (Jersey) Law 1991. The company is governed by its articles of association and the principal statute governing the company is Jersey law. The company has an unlimited life and the liability of the members of the company is limited. The company is domiciled in Jersey and its registered office is 12 Castle Street, St. Helier, Jersey JE2 3RT. The principal places of the business of the Group's are at G/F, No 17 Wah Hong Building, 13 – 20 Hong Lok Street, Mongkok, Kowloon in Hong Kong and No 9 Zhangcuo Street, Tancheng Disctrict, Foshan City in People's Republic of China ("PRC").

The principal activity of the company is that of an investment holding company. The principal activities of its subsidiaries are set out in note 12.

These financial statements are presented in pounds sterling and rounded to the nearest thousand ('000).

2 ADOPTION OF NEW AND REVISED STANDARDS

Asia Ceramics Holding Plc has adopted all relevant standards effective for accounting periods beginning on or after 1 January 2013.

At the date of authorisation of these financial statements, the Group has not adopted the following standards and interpretations as they are either not effective or not applicable to the Group's business.

Standards amendments and interpretations

		EU effective date
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IAS 27	Separate Financial Statements (2011)	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
Arrangements and Disclosure of Interests in Other Entities: Transition Guidance		1 January 2014

It is considered that these do not apply to the Group and that these standards are not expected to result in changes in accounting policies, changes to the carrying amounts of assets or liabilities or the published results. If any, but expect there will be no material impact to the income statement and balance sheet when implemented, although further disclosure may be required.

Standards, amendments and interpretations (not yet endorsed by EU at 12 March 2014)

IFRS 9 Financial Instruments (2009) and subsequent amendments (*amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures (2011); Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (2003)*
IFRS 14 Regulatory Deferral Accounts (2014)
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (2013)
Annual Improvements to IFRSs 2010-2012 Cycle (2013)
Annual Improvements to IFRSs 2011-2013 Cycle (2013)
IFRIC Interpretation 21 *Levies* (2013)

There are no other standards, amendments and interpretations in issue but not yet adopted that the directors anticipate will have material effect on the reported income or net assets of the company.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRIC interpretations and the AIM Rules.

3.2 Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Board has reviewed the accounting policies set out in these financial statements and consider them to be the most appropriate to the Group's business activities.

3.3 Going Concern policy

The financial statements have been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the necessity of liquidation, nor ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements. Based on the budgets prepared, management have a reasonable expectation that the group has adequate resources to continue its operational exercises for the foreseeable future and the group has adopted the going concern basis of accounting in preparing the financial statements.

3.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The consideration transferred in a business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire. Acquisition related costs are generally recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3: Business Combinations are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured as the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceed the consideration transferred, the excess is recognised immediately in the profit and loss as a bargain purchase.

Non-controlling interests that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the recognised identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value, when applicable, on the basis specified in another IFRS.

3 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.5 Foreign currencies

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Functional and presentational currency

Items included in the financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates. The functional currencies of the operating subsidiaries are Renminibi (RMB), US Dollars (USD) and Hong Kong Dollars (HKD). For the purpose of the consolidated financial statements, the results and financial position of the Group is expressed in Pounds Sterling (£), for reporting in the United Kingdom, which is the company's presentational currency.

The presentational currency of the Group is Pounds Sterling and therefore the financial statements have been translated from RMB to £ and from HKD to £ at the following exchange rates:

	Year end rates	Average rates
31 December 2013	£1 = RMB10.01	£1 = RMB9.62
	£1 = HKD12.82	£1 = HKD12.13
31 December 2012	£1 = RMB10.13	£1 = RMB10.04
	£1 = HKD12.60	£1 = HKD12.50

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at period end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss in the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Group companies

The results and financial position of the Group's foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities of the Group's foreign operations are translated using exchange rates prevailing at the end of the reporting period;

- income and expense items are translated at average exchange rates for the period unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense items are translated at the rate on the dates of the transactions; and all resulting exchange differences are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interest as appropriate).

3 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.6 Revenue recognition

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

Domestic sales

Sales of goods are recognised when goods are delivered and title has passed and all revenue recognised is in respect of the sale of goods.

Export sales

Sales of goods are recognised when the goods cleared the customs and the title has passed.

3.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

3.8 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 comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss, except when it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.9 Leases

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

3.10 Share-based payment arrangement

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 18.

Fair value is measured by use of the Black-Scholes model. 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.

3.11 Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less any subsequent accumulated depreciation and any recognised impairment loss.

Cost includes purchase price and all directly attributable costs of bringing the asset to its location and condition necessary to operate as intended.

Depreciation is provided at rates calculated to write off the cost less estimated residual value from 0-10% of each asset over its estimated useful economic life as follows

Furniture, fixtures and equipment	2 – 5 years
Motor vehicles	5 years
Showroom and office renovation	5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer note 3.18.2).

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the profit and loss.

Asset in the course of construction is stated at cost less impairment losses. Cost comprises direct costs of construction capitalised during the periods of construction. Capitalisation of these costs ceases and construction-in-progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction-in-progress until it is completed and ready for its intended use.

3.12 Investment in subsidiaries

Investment in subsidiaries is stated at cost less provision for impairment.

3 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.13 Inventories

Inventories and work in progress are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories and work in progress, other than those for which specific identification of costs are appropriate, is assigned by using the first-in, first-out (FIFO basis). When the inventories and work in progress are sold, the carrying amount of those inventories and work in progress are recognised as an expense in the same period as the revenue.

The amount of any write-down of inventories and work in progress to net realisable value are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of a write-down of inventories and work in progress are recognised as a reduction in the amount of inventories and work in progress recognised as an expense in the period in which the reversal occurs.

3.14 Financial instruments

Financial assets and financial liabilities are recognised 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.

3.15 Financial assets

Financial assets within the scope of IAS 39 are classified as either financial asset at ‘fair value through profit and loss’ (FVTPL), loans and receivables, held to maturity investments, or available-for-sale financial assets, as appropriate.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation or convention in the market place concerned.

All arm’s length purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Such purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

3.15.1 Effective interest method

This 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 debt instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified at FVTPL.

3 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.15.2 *Financial assets at FVTPL*

Financial assets classified as held for trading are included in the category financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the short term. Derivative financial instruments are also classified as held for trading unless they are designated and effective as a hedging instrument. Financial assets at FVTPL are stated at fair value with any gains or losses arising on re-measurement recognised in profit or loss.

The Group does not designate any financial assets not held for trading as financial assets as fair value through profit and loss.

3.15.3 *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intent and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method less any impairment.

3.15.4 *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method less any impairment.

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

3.15.5 *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale assets are measured at fair value with gains or losses being recognised in other comprehensive income and accumulated under fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the accumulate gain or loss previously reported in equity is included in the profit or loss. The fair value of investments that are traded in active market at the end of each reporting period is determined by reference to the relevant stock exchange's quoted market bid prices at the close of business on the reporting period date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

3.16 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include trade payables and other payables.

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost suing the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments are recorded at the fair value of consideration received, net of direct issue costs.

3.17 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.18 Impairment of assets

3.18.1 *Financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis that share similar credit risk characteristics.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under fair value adjustment reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.18.2 *Non-financial assets*

The carrying amounts of the Group’s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 risk specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the “cash generating unit”). The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

3 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.18 Impairment of assets - continued

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that has been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.19 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits, bank balances, demand deposits and other short term, highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value.

3.20 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefit will be required to settle the obligation, and a reliable estimate of the amount can be made.

3.22 Employee Benefits

Short Term Employee Benefits

Wages, salaries, annual leave and sick leave, social security contributions, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees.

Post-employment benefits

For the subsidiary of the Group in PRC, there are contributory retirement plans operated by the local government. The employees participate in the defined contribution retirement plan whereby the company is required to contribute to the schemes at fixed rates of the employees' salary costs. The company's contributions to these plans are charged to profit or loss when incurred. The company has no obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

Contribution made to the defined contribution retirement plan includes basic pension insurance in PRC which is charged to the profit and loss in the period to which they are related.

3 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.22 Employee Benefits - continued

Under the pension plan which the Group pays fixed contributions and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior financial periods. Once the contributions have been paid, the Group has no further payment obligations.

3.23 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the loan disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates, assumptions and judgements concerning the future are made in the preparation of the Financial Statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an on-going basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

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

(a) Provisions for doubtful debts

Each debtor balance is assessed to determine recoverability of debt. Provisions are made for all those debtors where evidence indicates that recoverability is doubtful. Amounts are written off when they are deemed irrecoverable. Any changes to estimates made in relation to debtors' recoverability may result in material difference amounts being reported in the Group's financial statements.

(b) Share-based payment

The Group has share option schemes for certain suppliers. Judgements and estimates are required in determining the share-based payment charge as an expense in the income statement. The directors have used Black-Scholes model one of the most widely used models in valuing the share based payment charge. The directors are in the opinion that the model used has been adjusted to their best estimate in arriving at the charge.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

For the purpose of IFRS 8, the chief operating decision maker takes the form of the Board of Directors. The Directors are of the opinion that the business of the Group comprises of a single activity, being the sale of ceramic products in PRC (including Hong Kong). In Sep 2011, the operating subsidiary in PRC obtained the export licence. Therefore the Group has expanded its sales overseas. At the meetings between the Directors, the income, expenditure cash flows, assets and liabilities are reviewed on a whole-group basis.

The Group has a policy to invest in prime locations in PRC. Sub-division of sales by type, function, by town or city of location in PRC is therefore of little significance in reviewing operations.

Based on the above considerations, there is considered to be one reportable business segment, the sale of ceramic products.

Internal and external reporting is on a consolidated basis, with transactions between Group companies eliminated on consolidation. Therefore the financial information of the single segment is the same as that set out in the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows.

All the Group's non-current assets are located within PRC. No Group non-current assets are located in the entity's country of domicile.

Geographical information:
Analysis of revenue by geographical area:

	Group 2013 £'000	Group 2012 £'000
PRC (including Hong Kong)	**2,427**	**1,785**
Europe	**2,604**	**5,055**
Asia & Far East	**4,499**	**1,314**
America & Australia	**1,468**	**1,423**
	10,998	**9,577**

Information about major customers

Including in revenue sales of approximate £3.67 million (2012: £4.14 million) are revenues which arose from sales to the Group's three largest customers.

The Group export sales in PRC are exempted from value-added tax. In addition to this, approximate 9% of the value-added tax paid on purchases relating to export sales will be refunded by the tax authority.

6. EXPENSES BY NATURE

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Changes in inventories	**1**	52	**-**	-
Inventory costs	**9,203**	7,798	**-**	-
Employee benefit expense (note 7)	**451**	405	**42**	42
Depreciation	**50**	49	**-**	-
Operating lease payments	**111**	99	**-**	-
Legal and professional	**116**	105	**102**	105
Other expenses	**952**	904	**-**	-
Total cost of sales, distribution costs and administrative expenses	**10,884**	9,412	**144**	147

Included in legal and professional, audit fees of £26k (2012: £26k) for parent company and group auditors and £5k (2012: £3k) to overseas subsidiary auditors.

7. EMPLOYEE BENEFIT EXPENSE

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Wages and salaries	**414**	375	**42**	42
Social security costs and welfare	**37**	2	**-**	-
Pension costs	**-**	28	**-**	-
	451	405	**42**	42

	2013 Number	2012 Number
The average monthly number of employees:		
Management (including Executive Directors)	**22**	22
Sales and marketing staff	**47**	43
Total	**69**	65

8. NET FINANCE INCOME /(COSTS)

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Bank interest paid	**(8)**	(2)	-	-
Bank charges	**(16)**	(11)	**-**	**-**
Foreign exchange (loss) / gains	**(48)**	19	**-**	**-**
Bank interest received	**1**	1	**-**	**-**
	(71)	7	**-**	**-**

9. INCOME TAX EXPENSE

	2013 £'000	2012 £'000
Current tax charge	**47**	105
Deferred tax (Note 16)	**(32)**	-
	15	105

The income tax expense for the year can be reconciled as follow:

	2013 £'000	2012 £'000
Profit before taxation	**36**	162
Income tax calculated at 25%	**9**	41
Effect of income that is exempt from taxation	**36**	37
Effect of different tax rate of subsidiary operating in other jurisdiction	**(23)**	-
Effect of different tax rate of timing difference	**-**	11
Prior year adjustments	**2**	-
Unrelieved tax losses c/f	**22**	7
Deferred tax arising from unused tax losses (Note 16)	**(32)**	-
Others	**1**	9
	15	105

The applicable tax of the Group is derived from the consolidation of all Group companies applicable tax band on their domestic tax rates. The applicable tax rate for Asia Ceramics (HK) Ltd is 16.5% and 25% for all Chinese subsidiaries.

10. EARNINGS PER SHARE

Basic profit per share is calculated by dividing the profit attributable to equity shareholders of the company by the weighted average number of ordinary shares in issue during the year.

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

	2013 £	2012 £
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit/(loss) attributable to equity holders of the parent	**21,522**	56,592
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**10,990,071**	10,824,598
Effect of dilutive potential ordinary shares: Share options	**-**	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**10,990,071**	10,824,598
Profit / (loss) per share		
Basic (pence)	**0.20**	0.52
Diluted (pence)	**0.20**	0.52

11. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Assets Under Construction £'000	Showroom and office £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 December 2011	215	-	4	29	248
Additions	5	-	-	5	10
Transfer	(220)	220	-	-	-
Exchange differences	-	(8)	-	-	(8)
At 31 December 2012	**-**	**212**	**4**	**34**	**250**
Additions	**-**	**-**	**-**	**2**	**2**
Transfer	**-**	**-**	**-**	**-**	**-**
Exchange differences	**-**	**3**	**-**	**-**	**3**
At 31 December 2013	**-**	**215**	**4**	**36**	**255**
Accumulated depreciation					
At 31 December 2011	-	-	1	3	4
Charge for the period	-	42	1	6	49
Exchange differences	-	-	-	-	-
At 31 December 2012	**-**	**42**	**2**	**9**	**53**
Charge for the period	**-**	**43**	**1**	**6**	**50**
Exchange differences	**-**	**1**	**-**	**-**	**1**
At 31 December 2013	**-**	**86**	**3**	**15**	**104**
Carrying amount					
At 31 December 2013	**-**	**129**	**1**	**21**	**151**
At 31 December 2012	-	170	2	25	197

Asset under construction comprises expenditure incurred on construction and renovation to a showroom and office in Foshan, Guangdong which has fully completed and used by the company. Payments on this construction contract were made in instalments as the work progresses. In 2012, the asset under construction has been transferred to Showroom and office, and depreciated over 5 years.

12. INVESTMENTS COMPANY

	2013 £'000	2012 £'000
At beginning of the period	**1**	1
Investment in subsidiaries	**-**	-
At 31 December 2013	**1**	1

12. INVESTMENTS COMPANY - CONTINUED

Details of the Company's investment in subsidiaries at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Principal activities
Asia Ceramics (HK) Ltd	Hong Kong	100	Retail of ceramics products in Hong Kong market and export market
Shenyang Louis Building Materials Co., Ltd **	P.R. China	100	Establishment of ceramics retail shops in PRC and sale of ceramics products.
Foshan Louis Valentino Ceramics Co., Ltd **	P.R. China	100	Sale of ceramics products in PRC and export market

** Held by subsidiary company

13. INVENTORIES
GROUP

	2013 £'000	2012 £'000
Finished goods	**5**	4
	5	4

All inventories can be sold in the normal business operating process. No finished goods in the current year have been carried at fair value less costs to sell, same for previous year.

14. TRADE AND OTHER RECEIVABLES

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Non-current				
Intercompany balances	**-**	-	**1,211**	1,363
	-	-	**1,211**	1,363
Current				
Account receivables	**1,657**	392	**-**	-
Payment on accounts	**1,569**	1,220	**-**	-
Other debtors	**21**	99	**-**	-
Amount due from related party (note 25)	**363**	312	**-**	-
Amount due from director (note 25)	**94**	23	**-**	-
VAT	**104**	185	**-**	-
	3,808	2,231	**-**	-

Intercompany balances are deemed to be recoverable and are carried at their approximate fair value.

15. CASH AND CASH EQUIVALENTS

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Cash at bank and in hand	**288**	497	**3**	3
	288	497	**3**	3

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

16. DEFERRED TAX

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Beginning of financial year	**-**	-	**-**	-
Credited to profit or loss (Note 9)	**32**	-	**-**	-
	32	-	**-**	-

The PRC companies have estimated losses of RMB317k available for carry forward against future trading profits. Deferred tax asset was computed at PRC corporation tax rate of 25%.

17. SHARE CAPITAL AND SHARE PREMIUM

The company has one class of ordinary share capital which carry no rights to fixed income, any preferences or restrictions.

	2013 £'000	2012 £'000
Authorised:		
20,000,000,000 Ordinary shares of £0.005 each	**100,000**	100,000
Issued and fully paid:		
10,990,071 Ordinary shares of £0.005 each	**55**	55

No movement of shares during the year.

	Share Capital £	Share Premium £
Balance at 1 January 2012 and 2013	54,950	1,200,702
Issue of share during the year	-	-
Balance at 31 December 2013	**54,950**	**1,200,702**

At 31 December 2013, the company had the following outstanding share options:

Number	Exercise price	Date of grant	Exercise period
206,229	£0.66	31.08.2010	31.08.2010 – 06.09.2015

18. SHARE OPTIONS

On 31 August 2010 the company executed a deed poll constituting warrants to subscribe for ordinary shares in favour of WH Ireland. Pursuant to this instrument, WH Ireland will be entitled to subscribe for such number of Ordinary Shares as is equal to 2.5% of the fully diluted share capital of the company on Admission at an exercise price of £0.66 until the third anniversary of Admission. On 6 September 2013, the share option has not been exercised and has now been expired.

On the same date, the company granted warrants to Alexander David to subscribe for such number of Ordinary Shares as is equal to 2% of the company's issued Ordinary Share capital following Admission at an exercise price of £0.66 per Ordinary Share. The warrants are exercisable at any time following Admission until the fifth anniversary of Admission.

As at 31 December 2013, none of the above options had been exercised and the share option granted to WHI has been expired.

Details of the share options outstanding during the year are as follows:

	2013			2012		
	Average exercise price in £ per share	**Option 1**	**Option 2**	Average exercise price in £ per share	Option 1	Option 2
At beginning of the year	**0.66**	**257,786**	**206,229**	0.66	257,786	206,229
Granted	**-**	**-**	**-**	-	-	-
Forfeited	**-**	**-**	**-**	-	-	-
Executed	**-**	**-**	**-**	-	-	-
Expired	**-**	**(257,786)**	**-**	**-**	-	-
At end of year	**0.66**	**-**	**206,229**	0.66	257,786	206,229

The weighted average estimated fair value of share option granted in the share option agreements dated 31 August 2010 are 8.72 pence for option 1 and 12.8 pence for option 2.

These estimated fair values were calculated using the Black-Scholes option pricing model. The model inputs were as follow:

	Option 1	**Option 2**
Bid price	£0.58	£0.58
Exercise price	£0.66	£0.66
Expected volatility	25%	25%
Expected dividend yield	-	-
Risk-free interest rate	2.75%	2.75%

The expected volatility is based on the historical share prices to the management's best estimate. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restriction and behavioural considerations.

The management has discounted the bid price by 25% in the calculation as the management estimated that in order to place substantial block of shares in the market a discount in the region of 20% to 25% of bid price would be needed.

19. OTHER RESERVES

Other reserves include translation reserves which arising from the translation of foreign operations into presentational currency, share option reserves and statutory reserves.

In accordance with the relevant regulations applicable in the PRC, companies now comprising the Group established in the PRC are required to transfer at least 10% of their statutory annual profits after tax to the statutory reserve until the balance of the reserve reaches 50% of their respective registered share capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of directors of the respective companies.

20. BORROWINGS

Non-current	**Group 2013 £'000**	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Loan from a shareholder (note 25)	**500**	500	**500**	500
Other	**-**	2	**-**	-
	500	502	**500**	500

Current	**Group 2013 £'000**	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Bank borrowing	**-**	158	**-**	-
Other	**-**	5	**-**	-
	-	163	**-**	-

On 16 September 2013, Foshan Louis Valentino Ceramics Co., Ltd repaid RMB1.6 million loan from ICBC bank.

Other borrowing represents personal bank loan taken on behalf of the company by an employee for the purchase of vehicle. The borrowing is free of interest and the directors consider that the carrying amount of the borrowings approximate to their fair value.

21. TRADE AND OTHER PAYABLES

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Trade payables	**405**	99	**-**	-
Payment received in advance	**1,148**	549	**-**	-
Bills payable	**1,095**	567	**-**	-
Other payables	**112**	112	**26**	34
	2,760	1,327	**26**	34

22. NOTES TO THE CASH FLOW STATEMENTS

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Profit (loss) from operations	**44**	162	**(144)**	(147)
Adjustments for:				
Depreciation of property, plant and equipment	**50**	49	**-**	-
Operating cash flows before movements in working capital	**94**	211	**(144)**	(147)
Decrease/(increase) in inventory	**-**	51	**-**	-
(Increase)/decrease in trade and other receivables	**(1,609)**	(923)	**(7)**	-
Increase in trade and other payables	**1,477**	480	**151**	471
Net cash (used in) /generated from operations	**(38)**	(181)	**-**	324
Interest paid	**(8)**	(2)	**-**	-
Income taxes paid	**(3)**	(138)	**-**	-
Net cash (used in) /generated from operating activities	**(49)**	(321)	**-**	324

23. COMMITMENTS
GROUP

Capital commitments

	2013 £'000	2012 £'000
Commitments for the renovation of office and showroom (note 11)	**-**	34

Commitments under operating leases

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follow:

	2013 £'000	2012 £'000
Land and buildings		
Within one year	**84**	105
In two to five years	**194**	225
More than five years	**-**	48
	278	378

Operating lease payments represent rentals payable by the Group for its office and showroom.

24. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Group is Dr Dingxin Pu, the majority shareholder and a director of the company.

25. RELATED PARTY TRANSACTIONS

Transactions within the Group have been eliminated in the preparation of the financial information set out in this report and are not disclosed in this note. Balance with other related parties have been disclosed under the relevant notes.

i) On 18 August 2010, Dr Dingxin Pu, the Chief Executive Officer and the majority shareholder of the company entered into a loan facility agreement with the company, whereby Dr Dingxin Pu agreed to make available to the company a loan facility of £500k. The loan is interest free and is repayable over five equal quarterly instalments commencing from 18 months following the date of the loan facility agreement. The loan was fully drawn down on 18 August 2010.

On 20 February 2013, the loan has extended the date of repayment to five equal instalments commencing on 31 January 2015 subject to the Company having sufficient funds to meet the repayments.

ii) At 31 December 2013, included in other debtors an amount of RMB936.2k (2012: due to HKD29.6k) due from Dr Dingxin Pu, Chief Executive Officer and majority shareholder of the company. This balance is unsecured, interest free and repayable on demand.

iii) The company has entered into a relationship and non-compete agreement dated 31 August 2010 with Dr Dingxin Pu, Asia Ceramics (HK) Limited and China Ceramics Holdings Limited (''CCH'') pursuant to which Dr Dingxin Pu has agreed to certain conditions in respect of his control of the company. The agreement contains terms and conditions intended to ensure that the company will be at all times capable of carrying on its business independently of Dr Dingxin Pu and companies controlled by him, including CCH. This agreement also contains obligations to ensure that CCH, Dr Dingxin Pu and employees of companies controlled by him, do not compete with the business carried on by the Group in the PRC and Hong Kong.

iv) The Company has entered into a brand licensing agreements dated 22 August 2010 with Dr Dingxin Pu, Asia Ceramics (HK) Limited and Shenyang Louis Building Materials Co., Limited pursuant to which Dr Dingxin Pu has granted an exclusive, irrevocable and royalty free licence to use the trademark "*Baitao*" and ''*Bally*''in the PRC and Hong Kong, and a non-exclusive licence throughout the rest of the world, until such time as the trademark is registered in the company's name.

v) During the year, the Group made sales to Louis Valentino Investment & Development Co. Ltd (''LVID'') for the amount of approximate £519k (2012: £1.9million). Due to lack of export experience and expertise in dealing with international business, the Group requested LVID to assist its export business in the initial stage, and will gradually takeover by signing contracts with customers on its own name and receiving payments from customers directly. During this period, LVID has made small profit but no commissions from its assistance. On 5 March 2013, the company has entered into an agreement with LVID and its parent company, CCH to formalise this relationship.

At the end of reporting period, the balance due from LVID is £363k (2012: £312k). LVID is company connected to Dr Dingxin Pu, a director and majority shareholder of the Asia Ceramics Holdings Plc.

Key management compensation

Key management includes directors of the company and its subsidiaries. The compensation paid or payable to key management for the employee services is shown on page 8 of the Directors' Report.

26. EVENT AFTER THE REPORTING DATE

There are no events after the reporting date to be disclosed.

27. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives arise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Group's financial instruments comprise cash and cash equivalents, receivables, payables and borrowings. The accounting policies and methods adopted, including the basis of measurement applied are disclosed above, where relevant. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes above, where applicable.

The Group does not enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts) and it is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The following table details the carrying amounts and fair values of financial assets and financial liabilities:

GROUP	**Carrying value**		**Fair value**	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Financial assets				
Cash and cash equivalents	**288**	497	**288**	497
Trade and other receivables	**3,808**	2,231	**3,808**	2,231
	4,096	2,728	**4,096**	2,728
Financial liabilities				
Trade and other payables	**2,760**	1,322	**2,760**	1,322
Borrowings	**502**	670	**502**	670
	3,262	1,992	**3,262**	1,992

COMPANY	**Carrying value**		**Fair value**	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Financial assets				
Cash and cash equivalents	**3**	3	**3**	3
Trade and other receivables	**-**	-	**-**	-
	3	3	**3**	3
Financial liabilities				
Trade and other payables	**26**	34	**26**	34
Borrowings	**500**	500	**500**	500
	526	534	**526**	534

The Group's activities expose it to a variety of financial risks; currency risk, credit risk, liquidity risk and interest rate risk. These risks are limited by the Group's financial management policies and practices as described below:

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group has credit risk management policies in place and exposure to credit risk is monitored on an ongoing basis. Management generally adopts conservative strategies and tight control on credit policy. The Group has limited the amount of credit exposure to customers.

27. FINANCIAL INSTRUMENTS - CONTINUED

The average credit period on sales is 30 days. No interest is charged on the trade receivables. Trade receivable due from LVID, the connect party, is guaranteed by Dr Pu personally.

Before accepting any new customer, the Group will check the credit worthiness of any new customers. No provision for doubtful debts was made during the year.

The trade and other receivables do not contain impaired assets as they are still considered recoverable by reference to no default experience so far. In determining the recoverability of trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The credit risk on cash and cash equivalent is limited because the counterparties are banks with high credit ratings recognised by international credit rating agencies.

The Group does not hold any collateral as security.

Liquidity risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To ensure liquidity, the Group maintains sufficient cash and cash equivalents on demand to meet its obligations as and when they fall due.

Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return on risk.

Foreign currency exchange risks

The Group does not hedge its foreign currencies. Transactions with customers and vendors are mainly denominated in Hong Kong Dollars (HKD), Chinese Yuan (RMB) and US Dollars (USD). Management considered that the currency exposure arising from these transactions is not significant to the Group. Transactions with Group companies denominated in Pounds Sterling (£), which are exposed to foreign currency translation risks, are not significant to the Group. The Group has bank accounts in HKD, RMB, USD and £ in order to mitigate against exchange risks.

The Group's exposure to foreign currency risk was as follow:

2013	**HKD £'000**	**RMB £'000**	**USD £'000**	**Total £'000**
Trade and other receivables	**671**	**1,564**	**1,560**	**3,795**
Cash and cash equivalent	**29**	**218**	**36**	**283**
Trade and other payables	**107**	**1,031**	**1,122**	**2,260**
Bank borrowings	**-**	**-**	**-**	**-**
	807	**2,813**	**2,718**	**6,338**

27. FINANCIAL INSTRUMENTS - CONTINUED

2012	HKD £'000	RMB £'000	USD £'000	Total £'000
Trade and other receivables	67	1,486	629	2,182
Cash and cash equivalent	19	369	61	449
Trade and other payables	10	1,550	425	1,985
Bank borrowings	-	158	-	158
	96	3,563	1,115	4,774

Sensitivity analysis

A 10% strengthening of £ against the following currencies at the reporting date would have increased/(decreased) equity and profit or loss by amounts shown below. This analysis assumes that all variables, in particular interest rates, remain constant.

	2013		2012	
	Equity	**Effect in profit or (loss)**	Equity	Effect in profit or (loss)
	£'000	**£'000**	£'000	£'000
HKD	**(73)**	**(73)**	(9)	(9)
RMB	**(256)**	**(256)**	(324)	(324)
USD	**(247)**	**(247)**	(101)	(101)

A 10% weakening of £ against the following currencies at the reporting date would have increased/(decreased) equity and profit or loss by amounts shown below. This analysis assumes that all variables, in particular interest rates, remain constant.

	2013		2012	
	Equity	**Effect in profit or (loss)**	Equity	Effect in profit or (loss)
	£'000	**£'000**	£'000	£'000
HKD	**90**	**90**	11	11
RMB	**313**	**313**	396	396
USD	**302**	**302**	124	124

Cash flow and fair value interest rate risks

The Group's primary interest rate risk relates to interest bearing debts. Investments in financial assets are mainly short term in nature and are not held for speculative purposes but are placed in fixed deposits.

The Group manages its interest rate exposure by maintaining a fixed rate borrowing to mitigate the risk associated to interest rate fluctuation.