Samson Holding Ltd.

順誠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 531.hk)

Annual Report 2012

UNIVERSAL FURNITURE

Legacy CLASSIC FURNITURE

CRAFTMASTER FURNITURE

WILLIS & GAMBIER Furniture designed for life

pennsylvania house

Lacquer craft

* for identification purpose only

Contents

Corporate Profile

Since its establishment in 1995, Samson Group, including **Samson Holding Ltd.** (the "Company") and its subsidiaries (the "Group"), has now become a fully vertically-integrated furniture company and ranks as one of top 10 furniture wholesalers in the United States of America (the "U.S.") and in the United Kingdom (the "U.K."). Further, we are among the top 3 casegoods manufacturers in Asia. We currently market a wide range of our furniture products through a portfolio of brand names including Universal Furniture, Legacy Classic Furniture, Craftmaster Furniture, Pennsylvania House, Samson International, and licensed with Better Homes & Gardens and Paula Deen in the U.S. Since October 2008, with the acquisition of a U.K. premium casegoods importer and wholesaler under the brandname "Willis Gambier", we have established a solid presence in the U.K. and Europe. In addition to our own brands, through our mega factories named Lacquer Craft in the People's Republic of China (the "PRC"), we also manufacture for a number of North American leading brands.

Our product offerings include a full range of home furniture for living room, dining room and bedroom. In addition, we also manufacture furniture for high-end hotels and offices.

Our team of experienced executives, employees and sales force, comprised the U.S. and U.K. market expertise, combining with the PRC manufacturing know-how, creates a globally-integrated products and services logistics platform that brings forth the most effective means of business operations by which we strive to maximize ultimate benefits to our customers and shareholders.

Executive Directors

Mr. Shan Huei KUO *(Chairman)*
Ms. Yi-Mei LIU *(Deputy Chairman)*
Mr. Mohamad AMINOZZAKERI

Non-executive Directors

Mr. Sheng Hsiung PAN
Mr. Yuang-Whang LIAO

Independent Non-executive Directors

Mr. Ming-Jian KUO
Mr. Siu Ki LAU
Mr. Sui-Yu WU

Audit Committee

Mr. Siu Ki LAU *(Chairman)*
Mr. Sheng Hsiung PAN
Mr. Sui-Yu WU

Remuneration Committee

Mr. Ming-Jian KUO *(Chairman)*
Mr. Sheng Hsiung PAN
Mr. Sui-Yu WU

Nomination Committee

Mr. Shan Huei KUO *(Chairman)*
Mr. Ming-Jian KUO
Mr. Sui-Yu WU

Company Secretary

Ms. Pik Yuk CHENG

Authorized Representatives

Ms. Yi-Mei LIU
Ms. Pik Yuk CHENG

Registered Office

Floor 4, Willow House,
Cricket Square, P O Box 2804,
Grand Cayman, KY1-1112
Cayman Islands

Stock Code

The Stock Exchange of Hong Kong Limited: 531

Websites

http://www.samsonholding.com/
http://www.universalfurniture.com/
http://www.legacyclassic.com/
http://www.legacyclassickids.com/
http://www.cmfurniture.com/
http://www.wguk.com/

Principal Places of Business

China:

Jian She Road, Jin Ju Village
Daling Shan Town, Dongguan City
Guangdong Province
China, 523830

China Timber Industry City Development Area
No. 2 Taicheng Road, Jia Shan County
Zhejiang Province
China, 314100

Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

United States of America:

2575 Penny Road
High Point, NC 27265
U.S.A.

221 Craftmaster Road
Hiddenite, NC 28636
U.S.A.

United Kingdom:

Unit 2, Kingston Park, Flaxley Road
Peterborough, PE2 9EN
England, U.K.

Auditor

Deloitte Touche Tohmatsu

Principal Bankers

Bank SinoPac
BNP Paribas
BSI LDT,HK
Chinatrust Commercial Bank
Citibank Taiwan Limited
Fubon Bank (Hong Kong) Limited
Wachovia Bank, National Association

Share Registrars and Transfer Offices

Principal:

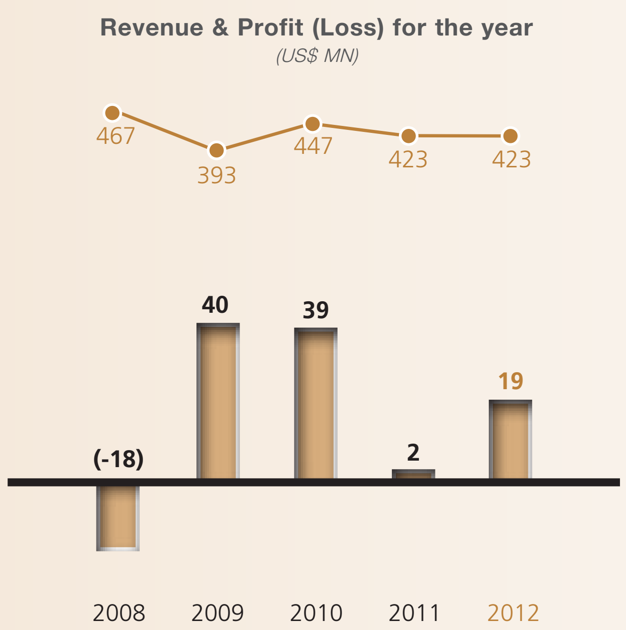
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

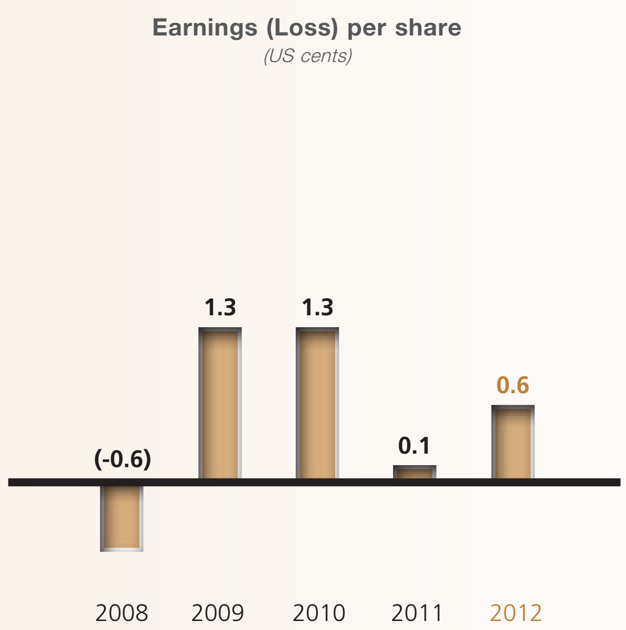
Hong Kong Branch:

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

	2012 US$'000	2011 US$'000	2012 HK$'000*	2011 HK$'000*
Operating results				
Revenue	**422,770**	423,439	**3,297,606**	3,302,824
Earnings before interest and tax	**25,459**	7,437	**198,580**	58,009
Profit for the year	**18,869**	1,741	**147,178**	13,580
Earnings per share *(US/HK cents)*	**0.6**	0.1	**4.68**	0.78
Financial position				
Total assets	**715,921**	700,228	**5,584,184**	5,461,778
Net current assets	**379,681**	366,141	**2,961,512**	2,855,900
Shareholders' equity	**554,180**	555,527	**4,322,604**	4,333,111
Return on equity** (%)	**3.40%**	0.31%	**3.40%**	0.31%

* exchange rate: US$1 to HK$7.8 (for reference only)
** profit for the year/average shareholders' equity





Revenue
Profit (loss) for the year

"To maintain and strengthen our position as one of the leading wholesalers in the U.S. residential furniture market and to become one of the leading players in the furniture industry globally"

On behalf of the board of directors (the "Board") of Samson Holding Ltd., I am pleased to present to the shareholders the annual results of the Company and its subsidiaries for the year ended 31 December 2012.

Results

Our turnover was US$422.8 million in 2012, a 0.1% decrease over the year of 2011. Gross profit margin was recorded at 25.6%, increased from 24.9% in 2011, with a gross profit of US$108.2 million as compared to US$105.4 million in 2011; and profit for the year of the Group was US$18.9 million, compared to a profit of US$1.7 million in 2011. The increase in profit was mainly attributable to our focus on reducing costs and a smaller impairment loss.

Business Development and Outlook

After experiencing a decline in 2011, the U.S. wholesales for furniture and home furnishing posted a small growth of 1.3% in 2012. Meanwhile, retail sales for furniture stores grew 6.3%. Despite the improvement, the overall demands for casegoods (wood furniture) remained soft relative to other categories such as upholstery and mattress as consumers remained cautious of spending on larger ticket items like bedroom and dining set. Moreover, our business was certainly tested by the ongoing pressure from manufacturing cost especially the increasing labour wages. Despite the unfavourable and challenging environment, the Company made an encouraging progress during the year. With the strength of our existing brand portfolio combined with our marketing efforts in the U.S. and U.K., we managed to increase sales from our branded business while at the same time delivered improving margins and profitability for the Group. Today, we continue our focus to further enhance our core competence including viable product introductions, extended distribution channels, and better production efficiency in order to strengthen our competitiveness.

The outlook for the U.S. economy was fairly encouraging in recent months. Housing activities are increasing and housing prices are stabilizing. Recent housing indicators including new and existing home sales and housing starts are all seeing continuous momentum pick up on a year-over-year basis. Other economic data such as unemployment rate and consumer confidence are also improving to more historically healthy levels. The Company has a strong foundation in the U.S. furniture market and going forward, we should benefit from the improving U.S. economic environment. Although we are pleased with many important steps we have accomplished this year, there are still much to be done and we will continue to work hard to achieve growth and long-term profitability across all areas of our business.

Here are the progresses made on our principal strategies:

1. Strengthening market presence and brand awareness

Our branded business has continued to account for a vast percentage of our total sales revenue as we further enhanced the growing awareness of our brands among consumers by continuously investing in our brands through innovative product design and creative marketing programs. For example, we carry on the success of Paula Deen's 1st and 2nd collections by launching the Paula Deen Kids collection last summer and the Paula Deen's 3rd collection, named "River House" in January of 2013; both new programs were extremely well received by customers and we expect sales from both programs to grow further in 2013. Moreover, our mid-priced brand continued to gain market share in the youth furniture segment with the emphasis on improving quality, style and function for kids. In October of 2012, together with the celebration of our 40th anniversary of

Craftmaster Furniture, we successfully expanded our upholstery product collection by launching a modern introduction called "Urban Element". Most recently, Willis & Gambier were delighted to be voted as the best dining furniture manufacturer for 2012 by Interiors Monthly, a leading interior design magazine in U.K. as we remain committed to our footprint in U.K.. Collectively, we believe these marketing initiatives will help us to strengthen our ties with customers and further differentiate us in this fragmented market.

Apart from strengthening our core branded business, our new division – Lacquercraft Hospitality has enjoyed considerable success during its initial 3 years in operation. To date, we have continued to produce products for leading hotel owners and actively participated in various hotel projects for major hotel groups worldwide. We expect the growth from this division to accelerate over the next few years.

2. Expanding our original equipment manufacturing ("OEM") business

We remain focus on manufacturing excellence, which requires us to produce and deliver the highest standard of furniture products for our customers. Although the OEM business posted a decline during the year, we were able to expand our OEM customer base in addition to our existing OEM customers.

3. Continuing our efforts in improving efficiencies and core competitiveness

To better position ourselves as one of the market leaders in furniture manufacturing industry, we are working diligently to reinvent ourselves to become a leaner and more efficient operator by implementing different cost reduction initiatives, such as engineering improvements, enhancement of customer order processing and tuning of production flow. With the dedications of our management team and employees, all together, we remain focus on the strengths that have differentiated us as a leading furniture manufacturer and wholesalers which is delivering great customer services and build value-added products while leveraging our advanced logistics and warehousing capabilities.

4. Growing the PRC market

We continue to make exciting progress in growing our PRC business. Currently, we operate through a multi-brand strategy aiming towards all price segments, namely, Universal Furniture for higher-end residential furniture, at Home for middle-priced solid-wood furniture and Isa Casa for lower-priced modern style furniture. Our long-term strategy is to aggressively build awareness of our brand in China via a combination of strong product design, attractive stores and well-diversified product portfolio. Our expansion in the China market will continue in the years ahead.

5. Creating shareholders' value through acquisitions

With our strong financial position and operating cash flows, we remain steadfast in our efforts to pursue earnings-accretive acquisitions to further optimize our return on capital. Through our seasoned management team and extensive experiences from the previous projects, we expect such acquisitions to create positive business synergies that will benefit our Group going forward.

6. Shareholders' value and corporate governance

We are highly committed to maximize shareholders' value. Our Group will continue to thrive in today's business environment by staying focused on investing our brands, expanding product offerings, entering new markets with more effective and diversified channels, improving operation efficiency and cost structure to generate solid growth and sustainable profitability. As such, superior financial results and shareholders' value will be achieved without compromising integrity and business ethics. Through the efforts of the Board and external advisers, the Group will continue promoting transparency and enhancing corporate governance.

Appreciation

Finally, I would like to take this opportunity to thank our directors, management team and employees for their continuous passion and hard work to the Group especially during the toughest time. Moreover, I would like to extend my sincere gratitude to all our shareholders, customers, suppliers and business partners for their continuous support.

Shan Huei KUO
Chairman
19 March 2013

Business Review

After two years of consecutive profit decline, the Group made a good progress in 2012 with improving margins and profitability. Despite the continued soft demand for products in our segments and the slower recovery in the U.K. than expected, our overall brand portfolio continues to act strong and gain market share, particularly in the higher-end segment and our upholstery brand. This was attributable to our endless efforts on aggressively expanding our customer base both in the U.S. and internationally while developing competitive product categories. In addition, our hospitality division and our China business continue to advance on track and contribute healthy growth. Moreover, we managed to enhance our margins by effectively managing cost of sales. All in all, 2012 was an encouraging year, nonetheless, we will continue to grow by investing in our existing brands and executing all cost controls.

Financial Review

Net sales for the year was US$422.8 million compared to US$423.4 million in 2011, a decrease of US$0.6 million or 0.1%. We extend our brand business by new program of Paula Deen and Smartstuff and the new division of Lacquer Craft Hospitality in the U.S. and expand our sales in China successfully. Nevertheless, the turnover was hit by the lower sales of middle price products and the U.K. markets, which resulted in a decrease of US$0.6 million in the net sales.

Gross profit increased 2.7% to US$108.2 million from US$105.4 million in 2011. The gross profit margin increased to 25.6% from 24.9% in 2011, mainly due to the cost reduction measure implemented.

Compared to US$100.0 million in 2011, total operating expenses were recorded at US$97.6 million in 2012. The slightly decrease was attributable to effective cost saving in the U.S. and China operation.

The profit for this year increased to US$18.9 million from US$1.7 million in 2011. Net profit margin increased to 4.5% from 0.4% in 2011. The growth in profit was mainly due to the reduction in cost and the decrease in impairment loss.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2012, the Group's cash and cash equivalents decreased by US$179.7 million to US$99.5 million from US$279.2 million as at 31 December 2011, short-term bank deposits increased by US$68.1 million to US$104.1 million from US$36.0 million as at 31 December 2011. Bank borrowings increased from US$80.1 million as at 31 December 2011 to US$98.1 million as at 31 December 2012. The gearing ratio (total bank borrowings/ shareholders' equity) increased from 14.4% as at 31 December 2011 to 17.7% as at 31 December 2012. The Group's cash position remains strong and the Group possesses sufficient cash and available banking facilities to meet working capital requirements which further enable us to expand through acquisitions with confidence.

Cash and cash equivalents held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling and Hong Kong dollars. As at 31 December 2012, short-term bank borrowings of US$85.0 million (2011: US$80.1 million) and US$13.1 million (2011: Nil) bore interest at floating rates and fixed rates respectively. All bank borrowings were denominated in U.S. dollars and were repayable within five years.

Our sources of liquidity include cash and cash equivalents, short-term bank deposits, cash from operations and general banking facilities granted to the Group. The Group maintains strong and prudent liquidity for day-to-day operations and business development.

As substantially most of our revenue and cost of sales are denominated in U.S. dollars, we have not had any material foreign exchange gains or losses in connection with our operations. In order to further minimize our foreign exchange exposure on appreciation of Renminbi and depreciation of U.K. Pound Sterling, the Group carefully monitored its positions by entering into foreign exchange forward contracts. As at 31 December 2012, there were outstanding forward exchange contracts with notional value amounting to US$618.3 million (2011: US$490.0 million).

The Group's current assets increased by 5.9% to US$537.6 million compared to US$507.8 million as at 31 December 2011 and the Group's current liabilities increased by 11.5% to US$157.9 million compared with US$141.6 million as at 31 December 2011. The current ratio (current assets/current liabilities) therefore decreased to 3.4 times as at 31 December 2012 from 3.6 times as at 31 December 2011.

Pledge of Assets

As at 31 December 2012, the Group's inventories of US$31.3 million (2011: US$27.2 million), trade and other receivables of US$65.1 million (2011: US$63.7 million), property, plant and equipment of approximately US$24.5 million (2011: US$24.9 million), investment properties of approximately US$9.1 million (2011: US$9.3 million) and bank deposits of approximately US$8.2 million (2011: US$0.002 million) had been pledged to banks to secure the general banking facilities granted to the Group.

Capital Expenditure

Capital expenditures for the year ended 31 December 2012 amounted to US$2.5 million compared to US$6.6 million in 2011. Capital expenditure was mainly the addition of IT equipment in the U.S. and the renovation of plant and machinery in the PRC.

Outlook

In the near-term, despite the many positive indications of a much sustainable recovery in both the U.S. housing sector and the overall U.S. economy, we remain cautious about our industry and our business condition. However, we are more confident about the future prospects for our business than we were a year ago. In the long-term, we remain confident that with our unique vertically integrated model, efficient logistic and warehouse system and well-established distribution networks, we believe that we are well-positioned to continue making significant market share gains and accelerate sales growth.

Dividend

The Board has recommended the payment of a final dividend for the year ended 31 December 2012 of HK$0.080 per share (2011: HK$0.020 per share), subject to the approval of the shareholders at the forthcoming annual general meeting. Upon approval of the shareholders, the proposed final dividend will be paid on 7 June 2013 to the shareholders of the Company whose names appear on the Company's register of members as at 29 May 2013.

Employees and Emolument Policy

As at 31 December 2012, the Group employed approximately 8,000 (31 December 2011: 8,300) full-time employees in the PRC, the U.S., the U.K. and Taiwan.

The Company believes that the ability to grow as a successful business depends on the quality of our management and employees. The Company is committed to recruiting, training and retaining skilled and experienced employees throughout our operations globally to better serve our customers. The Company intends to do this through our remuneration packages, including discretionary bonuses and share option scheme, as well as an emphasis on employee training. The emolument of the employees of the Group is determined on the basis of their merit, qualifications and competence. The emoluments of the directors and senior management of the Company are decided by the Company's board of directors with the recommendation of the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Executive Directors

Shan Huei KUO, also known as Samuel Kuo, aged 57, is an Executive Director of the Company and Chairman of the Board since 11 July 2005, Chairman of the Nomination Committee and Chief Executive Officer of Lacquer Craft Mfg. Co., Ltd. (Dongguan) ("Lacquer Craft (Dongguan)") and Lacquer Craft Mfg. Co., Ltd. (Zhejiang) ("Lacquer Craft (Zhejiang)") (hereinafter collectively referred to as "Lacquer Craft"). Mr. Kuo is a director of various subsidiaries of the Company. Mr. Kuo is one of the founders of our business and has been one of the principal managers responsible for our business and corporate strategy, marketing and production operations and expansion strategies. Mr. Kuo has more than 27 years of experience in the furniture business in Taiwan, the PRC and the U.S. Mr. Kuo is also the former Chairman of the Taiwan Businessmen's Association Dongguan, which has over 3,000 members. Mr. Kuo served two years in the military in Taiwan after obtaining a Bachelor of Arts degree in Economics Development from Tamkang University in 1978.

Mr. Kuo is the husband of Ms. Yi-Mei LIU, Executive Director of the Company and Deputy Chairman of the Board. Mr. Kuo and Ms. Liu are the controlling and substantial shareholders of the Company.

Yi-Mei LIU, also known as Grace Liu, aged 55, is an Executive Director of the Company and Deputy Chairman of the Board since 11 July 2005. She is also a director of all subsidiaries of the Company. Ms. Liu, together with her husband, Mr. Shan Huei KUO, Executive Director of the Company and Chairman of the Board, are founders of our business. Ms. Liu has over 27 years of experience in the furniture business and she has been closely involved in executing the corporate strategy and daily operations of our Group. In addition to her general management role, she oversees the financial control, cash management and human resources operations of our business. Ms. Liu obtained a Bachelor of Arts degree in English Literature from Suzhou University in 1979.

Ms. Liu and Mr. Kuo are the controlling and substantial shareholders of the Company.

Mohamad AMINOZZAKERI, also known as Mohamad Amini, aged 52, is an Executive Director of the Company since 24 October 2005. Mr. Aminozzakeri is also a director of Houson International Limited and Willis Gambier (UK) Limited, members of the Group and President of Lacquer Craft and has been with our Group since May 1995. Prior to becoming President, he held senior management positions in Lacquer Craft both in manufacturing and sales and marketing, and was formerly the executive Vice-President of Lacquer Craft. Mr. Aminozzakeri owned and operated furniture retail stores in California and Arizona for 6 years before then. Mr. Aminozzakeri has over 27 years of experience in the furniture industry and obtained a Bachelor of Science degree in Mechanical Engineering from California State University in Long Beach in 1983.

Non-executive Directors

Sheng Hsiung PAN, also known as William Pan, aged 57, is a Non-executive Director of the Company since 24 October 2005 and a member of the Audit Committee and Remuneration Committee of the Company. He is the Chief Executive Officer of Tai-Chuan Wooden MFG Co., Ltd, a cue manufacturer. Mr. Pan has over 20 years of experience in sales, marketing, manufacturing, and product development in the cue industry and sales and marketing in billiard cue and related accessories. Mr. Pan obtained a Bachelor of Arts degree in Economics Development from Tamkang University in 1979.

Yuang-Whang LIAO, also known as Daniel Liao, aged 43, is a Non-executive Director of the Company since 17 September 2007. Mr. Liao is the Chief Executive Officer of China Tianyi Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 March 2012. Mr. Liao had been the Director of Investor Relations of the Company and Vice-President and Chief Financial Officer of the subsidiaries of the Company from September 2003 to September 2007. Prior to joining our Group, Mr. Liao held the position of Director in the Private Equity of Citibank Hong Kong. Mr. Liao previously held positions ranging from financial officer, risk analyst to Vice-President of Private Equity at Citibank, Taipei. Mr. Liao has more than 10 years of experience in banking and finance. Mr. Liao was an Executive Director and Chief Financial Officer of China LotSynergy Holdings Limited from 13 November 2007 to 15 March 2012 and a Non-executive Director of China Tianyi Holdings Limited from 13 December 2011 to 15 March 2012. Mr. Liao obtained a Bachelor of Arts degree in Management Science from National Chiao Tung University in 1991 and an M. Phil in Management from Cambridge University in 1999.

Independent Non-executive Directors

Ming-Jian KUO, also known as Andrew Kuo, aged 51, is an Independent Non-executive Director of the Company since 24 October 2005, the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Kuo is currently the Senior Advisor of The Blackstone Group (HK) Limited and also an Independent Director of Cathay Financial Holding Co., Ltd., a company listed on Taiwan Stock Exchange Corporation. Mr. Kuo became a Non-executive Director of Far East Horizon Limited, a company listed on the Main Board of the Stock Exchange since 18 March 2013. Mr. Kuo also serves as an Independent Director of Cathay Life Insurance Co., Ltd., Cathay United Bank Co., Ltd., Cathay Century Insurance Co., Ltd. and Cathay Securities Corporation. From October 2007 to January 2013, Mr. Kuo was the Vice President of The Blackstone Group (HK) Limited in charge of Greater China private equity investment business. He was appointed Managing Director of H&Q Asia Pacific ("H&Q") in September 2005. Before joining H&Q, Mr. Kuo was the Senior Country Officer and Head of Investment Bank of JPMorgan Chase in Hong Kong and has more than 15 years of experience in the corporate finance industry. Since the merger of JPMorgan and Jardine Fleming in 2000, Mr. Kuo had been responsible for the firm's banking business and all investment banking activities in Taiwan. Mr. Kuo was also Vice Chairman of the Greater China Operating Committee of JPMorgan Chase, and since April 2005 he had been responsible for JPMorgan's Financial Sponsor Industry of Asia, ex-Japan. Mr. Kuo had also been Managing Director of the heritage Chase Manhattan Bank since October 1998. Prior to joining JPMorgan Chase, Mr. Kuo worked at Citibank Taipei for more than nine years, last as Head of the Corporate Banking Group responsible for client management. Prior to this, Mr. Kuo was head of the Merchant Banking Group in charge of investment banking and capital market products. He previously worked at Citibank New York, focusing on strategic products, and had experience in Treasury Marketing and Foreign Exchange Trading for six years at Citibank Taipei. He was also the Chief Trader and Head of FX for Citibank from 1993 to 1995. Mr. Kuo is a member of the Youth Presidents' Organization. Mr. Kuo obtained a Bachelor degree with a major in Business Administration from Fu-Jen Catholic University in 1983 and Master of Business Administration degree from City University of New York in 1989.

Siu Ki LAU, also known as Kevin Lau, aged 54, is an Independent Non-executive Director of the Company since 24 October 2005. He is the Chairman of the Audit Committee of the Company. With over 30 years of experience in corporate finance, financial advisory and management, accounting and auditing, Mr. Lau is currently a financial advisory consultant running his own management consultancy firm, Hin Yan Consultants Limited. Previously, Mr. Lau worked at Ernst & Young for over 15 years. Mr. Lau is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") and The Hong Kong Institute of Certified Public Accountants. Mr. Lau has served as a member of the world council of ACCA from 2002 to 2011. Mr. Lau has also served on the executive committee of the Hong Kong branch of ACCA ("ACCA Hong Kong") from 1995 to 2011, and was the chairman of ACCA Hong Kong in 2000/2001. Mr. Lau also serves as an Independent Non-executive Director of six other listed companies in Hong Kong: Binhai Investment Company Limited, COL Capital Limited, Comba Telecom Systems Holdings Limited, Embry Holdings Limited, Foxconn International Holdings Limited and TCL Communication Technology Holdings Limited. Mr. Lau was also an Independent Non-Executive Director of Greenfield Chemical Holdings Limited, Proview International Holdings Limited and Carry Wealth Holdings Limited until 11 June 2010, 24 August 2010 and 12 July 2011 respectively. Mr. Lau graduated from the Hong Kong Polytechnic in 1981.

Sui-Yu WU, also known as SY Wu, aged 54, is an Independent Non-executive Director of the Company since 15 December 2008 and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Wu has been practising law for over 25 years, and is the founding partner of Wu & Partners, Attorneys-at-Law, a firm based in Taipei, Taiwan which he founded in 2004. He has been a member of the Taipei Bar Association since 1983. His practice focuses on international economic law and WTO-related practices, cross-border commercial transactions and disputes, and mergers & acquisitions. Before that, Mr. Wu was a senior partner of Lee, Tsai & Partners from 2000 to 2004, the managing partner of Perkins Coie, Taipei Office from 1997 to 2000, and was an Of Counsel of Perkins Coie during 1996-1997. Prior to Perkins Coie, Mr. Wu had been with Lee & Li, Attorneys-at-Law since 1981, and was a visiting attorney at Van Bael & Bellis (Brussels, Belgium) and Nishimura & Partners (Tokyo, Japan) in 1988 and 1989 respectively. In addition to Taiwan, Mr. Wu has been licensed to practise law in New York State since 1990, and a member of the American Bar Association and International Bar Association since 1991. He was the Chair of International Trade Committee of the Inter-Pacific Bar Association from 1999 to 2001, and a director of Taipei Bar Association from 1993 to 1996. On the academic track, he was an associate professor at the Soochow University Law School from 1996 to 2005, and Institute of Law for Science and Technology, Tsin Hua University Law School from 2002 to 2005. Mr. Wu received a SJD degree and an LLM degree from the University of Michigan Law School, and an LLB degree from the Law Department of National Taiwan University in 1980.

Senior Management

Samson Marketing

Kevin M. O'CONNOR, aged 67, is President and Chief Executive Officer of Samson Marketing. Mr. O'Connor has been with our Group since March 1999, and prior to his current position, he was previously President/ Chief Executive Officer of Legacy Classic Furniture, Inc. ("Legacy Classic"). Before joining our Group, Mr. O'Connor held the top executive position of Master Design Furniture, Inc. and Hyundai Furniture, and also held senior management positions at Lea Industries, Burlington Furniture and Ethan Allen Furniture. Mr. O'Connor has over 36 years of experience in the furniture industry. Mr. O'Connor obtained a Bachelor of Arts degree in Psychology from Seton Hall University in 1968 and a Master of Science Degree in Business Administration from Columbia University in 1978.

Larry CRYAN, aged 57, is Vice President of Operations of Samson Marketing since July 2009 and has been with our Group since July 1999. Mr. Cryan has previously held the positions of Vice President of Operations of Legacy Classic, Corporate Manager of Administration with Hyundai Furniture and also Credit Manager at Ladd Furniture. Mr. Cryan has over 26 years of experience in the furniture industry. Mr. Cryan was awarded a Bachelor of Arts degree in History from the University of Greensboro in 1977.

William Frank NORTON, aged 43, is Vice President of Mass Merchandise Division (d.b.a. Samson International) of Samson Marketing since his rejoining our Group in August 2007 followed by a short-period away. Mr. Norton once held the position of Vice President of Merchandising of Universal Furniture. Prior to this, Mr. Norton held the positions of General Manager of Snavely Forest Products and Sun River Furniture and as Buyer at IKEA North America, Inc. Mr. Norton has more than 18 years of experience in the furniture industry and obtained a Bachelor of Science degree in Furniture Manufacturing and Management from North Carolina State University in 1991.

Universal Furniture

Jeffrey R. SCHEFFER, aged 57, is President and Chief Executive Officer of Universal Furniture. Mr. Scheffer joined our Group in December 2008 and came to us from Stanley Furniture where he was President and Chief Executive Officer. During Mr. Scheffer's 30 years' career in the furniture industry, he has also held the top executive position of American Drew and executive positions with Hyundai Furniture and Carter Industries. Mr. Scheffer was also Vice President-Sales at Universal Furniture from 1992-1996. He obtained a Bachelor of Science degree in Business from Miami University in 1978.

Tsuan-Chien CHANG, also known as Jeffery Chang, aged 49, is Vice President and Chief Financial Officer of Universal Furniture who joined the Group in December of 2008. Prior to joining our Group, Mr. Chang held Controller and Vice President of Operation with Huntington Furniture Industries and as a General Manager at William's Imports. Mr. Chang has more than 15 years of experience in the furniture industry. Mr. Chang received a Bachelor of Science degree in Accountancy in 1993 and a Master degree in Business Administration from California State University, Fresno in 1995.

Donald ESSENBERG, aged 57, is Vice President of Sales of Universal Furniture. Mr. Essenberg joined our company in April 2009 from Magnussen as Executive Vice President and Chief Marketing Officer. He has over 30 years of experience in sales, marketing and merchandising in furniture industry. Mr. Essenberg has held senior management positions over his career at Bernhardt, Broyhill, Berkline, and Magnussen. He received a Bachelor of Science degree with a double major in Marketing and Management from Appalachian State University in 1977.

Sean O'Connor, aged 38, is Vice President of Sales of Universal Furniture. Sean joined our company in August of 2011. Prior to joining Universal Furniture, he was National Sales Manager of Rowe Fine Furniture. Sean grew up in a furniture family and has gained over 14 years of experience traveling as a marketing representative covering numerous territories before stepping into a senior management position. He received his Bachelor of Science degree in Business Administration from Lenoir-Rhyne University, Hickory North Carolina in 1997.

Legacy Classic

Earl R. WANG, aged 49, is President of Legacy Classic Kids and has been with our Group since December 2011. Prior to joining our Group Mr. Wang previously held the position of Sr. Vice President of Merchandising at LEA/American Drew/Hammary. With more than 20 years experience in the furniture industry, Mr. Wang has held various management positions in product development and merchandising working for Universal Furniture Mass Merchandise Division and Riverside Furniture. Mr. Wang received a Bachelor of Science Degree in Business Administration from Illinois Wesleyan University, Bloomington, IL in 1986.

Chen-Kun SHIH, also known as Anderson Shih, aged 42, is Vice President and Chief Financial Officer of Legacy Classic Furniture since August 2011. Prior to his current position, Mr. Shih held the same position at Craftmaster Furniture and has more than 15 years of related working experience in Taiwan, China and the U.S. Mr. Shih began his career at Ernst & Young. He obtained a Bachelor degree in Accounting from the National Chung Hsing University in 1993, and was awarded a Master degree in Business Administration in Finance from the State University of New York at Buffalo in May 1999. Mr. Shih is a Certified Internal Auditor and Certified Public Accountant of the U.S.

Gerald E. SAGERDAHL, aged 62, is Executive Vice President of Sales of Legacy Classic and has been with our Group since March 1999. Mr. Sagerdahl previously held the positions of Vice President at Master Design, Rachlin Furniture and GranTree Furniture Inc. and Sales Manager at Ronald A. Rosberg Corporation. Mr. Sagerdahl has more than 33 years of experience in the furniture industry. Mr. Sagerdahl obtained a Bachelor of Arts degree in Computer Science from College of San Mateo, California in 1973.

Michael H. HARRIS, aged 48, is President of Legacy Classic and has been with our Group since October 2006. Mr. Harris previously held the positions of President and Partner at Kevin Charles Fine Furniture, Sales Manager of Palliser Furniture, and worked as an Independent Manufacturer's Representative. Mr. Harris has more than 20 years of experience in the furniture industry. Mr. Harris obtained a Bachelor of Arts degree in Economics from University of North Carolina at Chapel Hill in 1987.

Craftmaster Furniture, Inc. ("Craftmaster Furniture")

Roy R. CALCAGNE, aged 55, is President and Chief Executive Officer of Craftmaster Furniture and has been with our Group since August 2003. Prior to joining our Group, Mr. Calcagne was Vice President of Merchandising at Broyhill Furniture Industry. He has previously worked for Joan Fabrics Corporation as Vice President of Sales and Macy's department store as Merchandise Manager and Upholstery Buyer. Mr. Calcagne has over 25 years of experience in the furniture industry. Mr. Calcagne was awarded a Bachelor of Science degree in Marketing from Fairleigh Dickinson University in 1981.

Hau OUYANG, also known as Al Ouyang, aged 38, is Vice President and Chief Financial Officer of Craftmaster Furniture since August 2011. He joined the company in December 2010. Prior to joining our Group, Mr. Ouyang has extensive experience in finance and accounting, including IFRS consulting at Ernst & Young (Taiwan), as well as portfolio analysis and risk management at Fannie Mae (U.S.). He received a Bachelor degree in Accounting from National Taiwan University in 1997 and was awarded a Master degree in Business Administration in Finance from University of Illinois – Urbana Champaign in 2004. Mr. Ouyang is a CFA charter holder and a Certified Public Accountant registered in Illinois of the U.S.

Alex A. REEVES, aged 49, is Vice President of Sales and Merchandising for Craftmaster Furniture since joining our Group in July 2008. Previously, Mr. Reeves was Vice President of Sales of Hickory Hill, a division of Norwalk Furniture Corp., for 11 years. Prior to this, he was Chief Operating Officer of Precedent Furniture and earlier a sales representative of Leathercraft. Mr. Reeves has over 23 years of experience in the furniture industry. Mr. Reeves was awarded a Bachelor of Arts degree in Economics from Wake Forest University in 1986.

Kevin MANN, aged 48, is Vice President of Operations of Craftmaster Furniture. Prior to joining Craftmaster Furniture, Mr. Mann was Director of Manufacturing of Clayton Marcus Furniture Inc. and also held positions as Plant Manager and Director of Engineering. Mr. Mann started his career at Bassett Upholstery working as an Engineer. Mr. Mann was awarded a Bachelor of Science degree in Industrial Education Technology from Western Carolina University in 1987.

Jack K. STOKES III, aged 38, is Vice President of Sales of Craftmaster Furniture Paula Deen and Better Homes and Gardens. Mr. Stokes has worked with Craftmaster Furniture since June 1997, and was promoted to Vice President of Sales in 2007. Prior to the current position, Mr. Stokes held the position of Director of Marketing with Craftmaster Furniture while filling in many sales roles including Markets and Merchandising for over 10 years. Mr. Stokes received Bachelor of Science in Business Administration degree major in Marketing from Western Carolina University, in 1997.

Willis Gambier (UK) Limited

Shing-Huei LI, also known as Elliott Li, aged 42, is Finance Director of Willis Gambier and has been with our Group since December 2006. Prior to his current position, Mr. Li was previously Vice President and Chief Financial Officer of Legacy Classic. Prior to joining our Group, Mr. Li held various financial management positions at Guardian Life Insurance and AT&T in the U.S. as well as sales position at Evergreen Marine in Taiwan. Mr. Li received a Bachelor of Arts degree in International Trade from Fu-Jen Catholic University, Taipei in 1993 and a Master degree in Business Administration from Georgetown University in 1999.

David A. LANE, aged 49, is Commercial Director of Willis Gambier and joined our Group in November 2008. Prior to this, Mr. Lane spent 8 years as Operations Director at Mark Webster Furniture in both manufacturing and outsourcing furniture for the U.K. domestic market. Mr. Lane previously spent 16 years in Martins International, a textile company, in both manufacturing and in key retail account management. Mr. Lane has 25 years' experience in the procurement and supply of products to the U.K. market place.

Lacquer Craft

En-Kwang YANG, also known as Bob Yang, aged 65, is Executive Vice President of Lacquer Craft and has been with our Group since September 1999. Prior to becoming Executive Vice President, Mr. Yang was Vice President of Manufacturing of Lacquer Craft. Mr. Yang previously held management positions at Mississippi Plant of Master Design Furniture Company Limited, Johnson Wood Working Manufacturing Company, Shin Shin Wood Working Manufacturing Company Limited and Wood Working Plant of East-West High Way Forest Development. Mr. Yang obtained a Bachelor of Science degree in Forestry from the National Taiwan University in June 1969.

Yue-Jane HSIEH, also known as Irene Hsieh, aged 42, is Special Assistant to the Chairman and has been with our Group since June 2002. Ms. Hsieh's areas of responsibility include accounts, company secretarial duties and acting as the special assistant to our Chairman, Mr. Kuo. Prior to becoming Special Assistant to the Chairman, Ms. Hsieh was Accounting Manager at Lacquer Craft (Dongguan) from June 2003 to July 2004. Ms. Hsieh previously worked in investment banking at Sinopac Securities and Yuanta Core Pacific Securities and as an auditor at PricewaterhouseCoopers and Ernst & Young Taiwan. Ms. Hsieh has more than three years of experience in auditing, more than five years of experience in finance and more than eight years of experience in accounting. Ms. Hsieh obtained a Bachelor of Science degree in Accounting from Tunghai University in June 1993.

Company Secretary

Pik Yuk CHENG, also known as Patsy Cheng, aged 55, was appointed the company secretary of our Company on 24 October 2005. Ms. Cheng is a Corporate Services Director of Tricor Services Limited. Prior to joining the Tricor Group in 2000, she was the departmental manager of the corporate secretarial and share registration department of Deloitte Touche Tohmatsu, and provided corporate secretarial and share registration services to their clients. Ms. Cheng has worked in the corporate secretarial departments of a number of international accounting firms and has over 30 years of experience in the company secretarial field. She has been providing corporate secretarial support services to many listed clients. Ms. Cheng is a Fellow Member of The Institute of Chartered Secretaries and Administrators in the U.K. and The Hong Kong Institute of Chartered Secretaries ("HKICS"), and is a holder of the Practitioner's Endorsement of the HKICS. Ms. Cheng graduated from the Hong Kong Polytechnic in 1980.

The Board is committed to maintaining high corporate governance standards. The Company has applied the principles of and confirms that it has complied with all material code provisions of the Code on Corporate Governance Practices and Corporate Governance Code which came into effect on April 1, 2012 (collectively the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31 December 2012, save for certain deviations from the code provisions which are explained in the relevant paragraphs in this corporate governance report.

Board of Directors

The Board is responsible for setting the Group's strategic goals, providing leadership to put them into effect, supervising the management of the business, controlling the Group, promoting the success of the Group, setting appropriate policies to manage risks and reporting to shareholders on their stewardship. Matters reserved to the Board for its decision are those affecting the Group's overall strategic policies, financial control, and shareholders.

The Board has delegated the day-to-day responsibilities to the Chief Executive Officers/Presidents of the Group and their teams and specific responsibilities to the Remuneration Committee, the Audit Committee and Nomination Committee.

The Chairman of the Board is Mr. Shan Huei KUO ("Mr. KUO"). The day-to-day management of the business is delegated to the Chief Executive Officers/Presidents, assisted by the senior management, of the Company's principal subsidiaries. The Chief Executive Officers of Lacquer Craft, Samson Marketing, Universal Furniture and Craftmaster Furniture are Mr. KUO, Mr. Kevin M. O'CONNOR, Mr. Jeffrey R. SCHEFFER and Mr. Roy R. CALCAGNE respectively. The President of Lacquer Craft is Mr. Mohamad AMINOZZAKERI.

Though Mr. KUO is the Chairman of the Board and also the Chief Executive Officer of Lacquer Craft, the Group does not intend to separate these two functions as both the Board and senior management of the Group have significantly benefited from the leadership, support and experience of Mr. KUO.

The primary role of the Chairman is to provide leadership for the Board. He ensures that all directors are properly briefed on issues arising at board meetings and all directors receive adequate information, which is complete and reliable, in a timely manner and encourages all directors to make a full and active contribution to the Company's affairs.

The primary responsibilities of Chief Executive Officers/Presidents comprise the day-to-day management of the business, the implementation of major strategies and initiatives adopted by the Board, the development and formulation of business plans, budgets, strategies, business and financial objectives for consideration by the Board, and the establishment and maintenance of proper internal controls and systems.

The Board believes that the existing roles between the Chairman and the Chief Executive Officers/Presidents provides the Group with strong leadership, ensures prompt and efficient implementation of decisions and best promotes the interests of shareholders.

As at 31 December 2012, the Board comprised eight directors, including the Chairman and the Deputy Chairman (who are Executive Directors), one Executive Director, two Non-executive Directors and three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of directors are set out on pages 9 to 11 of this annual report. The list of directors (by category) is also disclosed in all corporate communications issued by the Company.

Mr. KUO and Ms. Yi-Mei LIU, Executive Directors, are husband and wife. Save as herein disclosed, none of the directors or Chief Executive Officers/Presidents are related.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Company has received from each of its Independent Non-executive Directors written annual confirmation of their independence pursuant to the Listing Rules and the Company considers that each of them to be independent in accordance with the Listing Rules and unrelated in every aspect including financial, business, or family.

The Company has already arranged for appropriate insurance cover to protect its directors from possible legal action against them.

Appointment and Re-election and Removal of Directors

The procedure and process of appointment, re-election and removal of directors are laid down in the Company's articles of association which provide that all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill casual vacancy shall hold office until the next following general meeting of the Company and for new director appointed as an addition to the Board until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

Each of the Non-executive Director is engaged on a service contract for a term of three years and shall be subject to retirement by rotation once every three years.

Directors' Securities Transactions

The Company has adopted procedures governing directors' securities transactions (the "Adopted Procedures") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules.

Having made specific enquiry, all directors have confirmed that they have complied with the Model Code and the Adopted Procedures throughout the year ended 31 December 2012.

The Company has also adopted guidelines (the "Written Employee Guidelines") on terms no less exacting than the Model Code in respect of securities transactions of the relevant employees who are likely possess inside information of the Company. No incident of non-compliance of the Written Employee Guidelines was noted by the Company.

Communication with Shareholders and Investors

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee, Audit Committee and Nomination Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings. A non-executive director and an independent non-executive director were not in a position to attend the annual general meeting of the Company held on 10 May 2012 due to other business commitments.

Committees

The Remuneration Committee and the Audit Committee were established on 24 October 2005 and the Nomination Committee was established on 20 March 2012. The terms of reference of the Remuneration Committee, Audit Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website. The composition of the Remuneration Committee, Audit Committee and Nomination Committee are as follows:

Remuneration Committee	Audit Committee	Nomination Committee
Mr. Ming-Jian KUO *(Chairman)*	Mr. Siu Ki LAU *(Chairman)*	Mr. Shan Huei KUO *(Chairman)*
Mr. Sheng Hsiung PAN	Mr. Sheng Hsiung PAN	Mr. Ming-Jian KUO
Mr. Sui-Yu WU	Mr. Sui-Yu WU	Mr. Sui-Yu WU

The Remuneration Committee is primarily responsible for making recommendations to the Board on the Company's policy and structure for all remuneration packages of the directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy. It reviews and makes recommendation to the Board on the remuneration packages of all directors (including Executive Directors) and senior management with reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee met twice during the year. It has reviewed the remuneration policy for all directors of the Group.

The Audit Committee is primarily responsible for monitoring integrity of financial statements, annual reports and accounts, half-year reports and reviewing significant financial reporting judgments and the Group's financial controls, internal control and risk management systems and overseeing the relationship with the external auditors, including making recommendations to the Board on the appointment, reappointment and removal of the external auditors and approving the remuneration and terms of engagement of the external auditors. The Audit Committee members have substantial experience in management, corporate finance, financial advisory and management, accounting and auditing.

During the year, the Audit Committee met twice to discharge its responsibilities and review and discuss the interim and annual financial results and approve the remuneration and terms of engagement of the external auditors. In addition, the Audit Committee has reviewed and was satisfied with the effectiveness of the Group's internal controls system.

The Nomination Committee is responsible for making recommendations to the Board for consideration and approval on nominations, appointment of Directors and Board succession, with a view to appoint to the Board individuals with the relevant experience and capabilities to maintain and improve competitiveness of the Company. The Nomination Committee formulates the policy, review the size, structure and composition of the Board, and assess the independence of the Independent Non-Executive Directors in accordance with the criteria prescribed under the Listing Rules.

One Nomination Committee meeting was held in 2012 to review the composition of the Board and the committees.

Internal Controls

The Audit Committee has full access to the Executive Directors and the senior management for any information relating to the Company's financial performance, financial reporting system, internal control system and risk management system to facilitate the process of making appropriate recommendations and proposals. The Board has reviewed the Group's internal control system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget and was satisfied with its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in the corporate governance report. The Board is also satisfied that the directors have contributed sufficient time in performance of their responsibilities as directors of the Company.

Auditors' Remuneration

During the year, the remuneration paid to the external auditors of the Group in respect of audit services and non-audit services amounted to approximately US$520,000 and US$238,000 respectively. The non-audit services mainly consist of professional advisory on taxation (US$129,000) and review of interim financial information (US$109,000).

Attendance Record of Directors and Committee Members

The following meetings of the Company were held during the year:

	Number of meetings held
Board	2
Remuneration Committee	2
Audit Committee	2
Nomination Committee	1
Annual General Meeting	1

Resolutions were once passed by resolutions in writing of all directors in lieu of directors' meeting.

Individual attendance of each director is as follows:

Directors	No. of meetings attended/held during the tenure of directorship				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Shan Huei KUO *(Chairman)*	2/2	N/A	N/A	1/1	1/1
Ms. Yi-Mei LIU *(Deputy Chairman)*	2/2	N/A	N/A	N/A	1/1
Mr. Mohamad AMINOZZAKERI	2/2	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Sheng Hsiung PAN	2/2	1/2	1/2	N/A	1/1
Mr. Yuang-Whang LIAO	2/2	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Ming-Jian KUO	2/2	N/A	2/2	1/1	0/1
Mr. Siu Ki LAU	2/2	2/2	N/A	N/A	1/1
Mr. Sui-Yu WU	2/2	2/2	2/2	1/1	1/1

Only two regular board meetings were held during the year as the Company is not required under the Listing Rules to announce its quarterly results.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the Non-executive Directors (including Independent Non-executive Directors) of the Company during the year.

Continuing Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure the he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

All Directors are encouraged to participate on continuous professional development to develop and refresh their knowledge and skills. The Company has continuously provided relevant training materials to all the Directors. All Directors participated in courses relating to roles, functions and duties of a listed company director or further enhancement of their professional development by the way of attending training courses or reading relevant materials. All Directors have provided the Company their training records for the year under review.

Practices and Conduct of Meetings

Notice of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

For regular Board meetings and committee meetings, the Board has used its best endeavour to send Board papers together with all appropriate information to all directors at least 3 days before the regular Board meetings or committee meetings to keep the directors apprised of the latest developments and financial positions of the Company and to enable them to make informed decisions.

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such director or any of his associates has a material interest and this provision has always been complied with.

Directors' and Auditor's Responsibilities for the Financial Statements

The directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditor about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 27 and 28.

Company Secretary

Ms. Pik Yuk CHENG, Patsy of Tricor Services Limited, external service provider, has been engaged as the Company Secretary of the Company. Its primary contact person at the Company is Ms. Yue-Jane Hsieh, Irene, assistant to the Chairman of the Company.

Shareholders' Rights

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for demanding a poll has been included in circulars accompanying notice convening a general meeting and such procedure has been read out by the chairman of the general meeting.

To safeguard the interests and rights of shareholders, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions proposed at the shareholders' meetings are voted by poll pursuant to the Listing Rules. The poll results are also posted on the websites of the Stock Exchange and the Company immediately after the relevant shareholders' meetings.

Putting Forward Proposals at General Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its shareholders. The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s).

There are no provisions in the company's articles of association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the below paragraph.

As regards proposing a person for election as a director of the Company, please refer to the procedures posted on the Company's website.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to article 79 of the Company's articles of association, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event that the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Enquiries to the Board

The Company has disclosed all necessary information to the shareholders in compliance with Listing Rules. Updated and key information of the Group is also available on the Company's website at www.samsonholding.com. The Company also replied the enquiries from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: China Timber Industry City Development Area
No. 2 Taicheng Road, Jia Shan County, Zhejiang Province, China, 314100
(For the attention of the Chief Investor Relations Officer)

Email: kevin@lacquercraft.com

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 43 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 29.

An interim dividend of HK$0.040 per share, amounting to approximately HK$121,744,000 (equivalent to approximately US$15,693,000), was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK$0.080 per share, amounting to approximately HK$243,489,000 (equivalent to approximately US$31,217,000) to the shareholders of the Company whose names appear on the Company's register of members on 29 May 2013, subject to the approval of the shareholders at the forthcoming annual general meeting.

FINANCIAL SUMMARY

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2012, the Company's reserves available for distribution to shareholders were as follows:

	2012	2011
	US$'000	*US$'000*
Share premium	**185,388**	185,388
Contributed surplus	**80,186**	80,186
Accumulated profits	**277**	1,837
	265,851	267,411

Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements during the year in the property, plant and equipment and investment properties of the Group are set out in Notes 12 and 13 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 31 to the consolidated financial statements.

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

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

DIRECTORS

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

Executive Directors

Mr. Shan Huei KUO *(Chairman)*
Ms. Yi-Mei LIU *(Deputy Chairman)*
Mr. Mohamad AMINOZZAKERI

Non-executive Directors

Mr. Sheng Hsiung PAN
Mr. Yuang-Whang LIAO

Independent Non-executive Directors

Mr. Ming-Jian KUO
Mr. Siu Ki LAU
Mr. Sui-Yu WU

In accordance with the provisions of the Company's articles of association (the "Articles"), Messrs. Mohamad AMINOZZAKERI, Yuang-Whang LIAO and Ming-Jian KUO will retire by rotation pursuant to article 130 of the Articles at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election thereat.

DIRECTORS' SERVICE CONTRACTS

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 24 October 2005 (the "Share Option Scheme"), details of which are set out in Note 32 to the consolidated financial statements.

Details of the movement of the Company's share options during the year and at the end of the reporting period are as follows:

					Number of share options			
	Date of Grant	Exercise Price *HK$*	Vesting Date	Exercise Period	Outstanding as at 1.1.2012	Granted during the year	Forfeited during the year	Outstanding as at 31.12.2012
Director:								
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	83,333	–	–	83,333
			6.2.2008	6.2.2008 – 16.11.2015	83,333	–	–	83,333
			6.2.2009	6.2.2009 – 16.11.2015	83,334	–	–	83,334
					250,000	–	–	250,000
Other employees:								
In aggregate	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	1,789,649	–	–	1,789,649
			6.2.2008	6.2.2008 – 16.11.2015	1,789,649	–	–	1,789,649
			6.2.2009	6.2.2009 – 16.11.2015	1,789,649	–	–	1,789,649
	29.12.2008	0.87	15.12.2009	15.12.2009 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2010	15.12.2010 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2011	15.12.2011 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2012	15.12.2012 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2013	15.12.2013 – 16.11.2015	1,500,000	–	–	1,500,000
					12,868,947	–	–	12,868,947
Total					13,118,947	–	–	13,118,947

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed 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 acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions:

(1) Shares of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Shan Huei KUO	Held by controlled corporations *(Note)*	2,146,346,773	70.52%
Ms. Yi-Mei LIU	Held by controlled corporations *(Note)*	2,146,346,773	70.52%

Note: The 2,146,346,773 shares were held by Advent Group Limited ("Advent").

Mr. Shan Huei KUO and Ms. Yi-Mei LIU each holds 50% of the equity interest in Magnificent Capital Holding Limited which owns 70% of the issued share capital of Advent. Mr. Shan Huei KUO and Ms. Yi-Mei LIU are husband and wife. Therefore, Mr. Shan Huei KUO and Ms. Yi-Mei LIU are deemed to be interested in the shares of the Company which are owned by Advent.

(2) Underlying Shares of the Company

The interests of the directors of the Company in the underlying shares of the Company are detailed in "Share Option Scheme" above.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2012.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors who are also substantial shareholders of the Company, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the shares or underlying shares of the Company as at 31 December 2012.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

CONNECTED TRANSACTIONS

During the year, the Group paid rental charge to Samson Global Co., Ltd. which is wholly-owned by Mr. Shan Huei KUO and Ms. Yi-Mei LIU. These transactions are regarded as continuing connected transactions and qualified as a "de minimis transaction" pursuant to Chapter 14A of the Listing Rules. The details of these transactions are set out in Note 41 to the consolidated financial statements.

Other than as disclosed above, no contracts of significance to which the Company or any of its holding companies, subsidiaries or fellow 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.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's largest and five largest customers and suppliers, respectively, were as follows:

– the largest customer	12%
– five largest customers	27%
– the largest supplier	10%
– five largest suppliers	33%

During the year, none of the directors, their associates nor any shareholders of the Company, which to the knowledge of the directors, owned more than 5% of the Company's issued share capital had an interest in any of the Group's five largest customers or suppliers.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 31 December 2012.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately US$105,000.

AUDITOR

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

On behalf of the Board

Shan Huei KUO
Chairman

19 March 2013

Deloitte.
德勤

TO THE MEMBERS OF SAMSON HOLDING LTD.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Samson Holding Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 89, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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.

TO THE MEMBERS OF SAMSON HOLDING LTD. (continued)
(incorporated in the Cayman Islands with limited liability)

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 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2013

	Notes	2012 US$'000	2011 US$'000
Revenue	4	**422,770**	423,439
Cost of sales		**(314,611)**	(318,031)
Gross profit		**108,159**	105,408
Other income	5	**7,167**	7,961
Other gains, losses and expenses	5	**9,008**	1,096
Distribution costs		**(20,986)**	(22,670)
Sales and marketing expenses		**(40,860)**	(41,718)
Administrative expenses		**(35,802)**	(35,563)
Finance costs	6	**(1,643)**	(1,070)
		25,043	13,444
Impairment loss on available-for-sale investment		**(1,227)**	(7,077)
Profit before taxation	8	**23,816**	6,367
Taxation	9	**(4,947)**	(4,626)
Profit for the year		**18,869**	1,741
Earnings per share, in US cents	11		
– Basic		**0.62**	0.06
– Diluted		**0.62**	0.06

Consolidated Statement of Comprehensive Income

	2012	2011
	US$'000	*US$'000*
Profit for the year	**18,869**	1,741
Other comprehensive income (expense) for the year:		
Exchange differences arising on translation of foreign operations	**3,301**	8,247
Loss on change in fair value of available-for-sale investment	**(1,227)**	(28,236)
Reclassification adjustment upon impairment of available-for-sale investment	**1,227**	7,077
	3,301	(12,912)
Total comprehensive income (expense) for the year	**22,170**	(11,171)

	Notes	2012 US$'000	2011 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	130,841	145,520
Investment properties	13	9,066	9,326
Lease premium for land – non-current portion	14	11,530	11,832
Goodwill	15	11,475	11,475
Other intangible assets	16	1,669	1,669
Available-for-sale investment	18	7,655	8,882
Deposits paid for purchase of properties	19	1,519	–
Cash surrender value of life insurance	20	871	696
Deferred tax assets	30	3,686	3,075
		178,312	192,475
CURRENT ASSETS			
Inventories	21	119,584	100,682
Trade and other receivables	22	93,735	88,751
Lease premium for land – current portion	14	330	331
Other investment	23	–	1,000
Held-for-trading investments	24	109,720	–
Derivative financial instruments	25	2,441	1,774
Pledged bank deposits	26	8,200	2
Short-term bank deposits	26	104,078	36,045
Cash and cash equivalents	26	99,521	279,168
		537,609	507,753
CURRENT LIABILITIES			
Trade and other payables	27	53,706	53,994
Tax payable		6,080	5,939
Derivative financial instruments	25	–	1,552
Bank borrowings	28	98,142	80,127
		157,928	141,612
NET CURRENT ASSETS		379,681	366,141
TOTAL ASSETS LESS CURRENT LIABILITIES		557,993	558,616

	Notes	2012 US$'000	2011 US$'000
NON-CURRENT LIABILITIES			
Deferred compensation	29	971	696
Deferred tax liabilities	30	2,842	2,393
		3,813	3,089
		554,180	555,527
CAPITAL AND RESERVES			
Share capital	31	152,180	152,180
Share premium and reserves		402,000	403,347
		554,180	555,527

The consolidated financial statements on pages 29 to 89 were approved and authorised for issue by the Board of Directors on 19 March 2013 and are signed on its behalf by:

Shan Huei KUO
DIRECTOR

Yi-Mei LIU
DIRECTOR

	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Share option reserve US$'000	Merger reserve US$'000 (Note 33)	Statutory reserve US$'000 (Note 34)	Exchange reserve US$'000	Investment revaluation reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 January 2011	152,410	185,620	782	599	1,581	1,174	41,427	21,159	178,037	582,789
Profit for the year	–	–	–	–	–	–	–	–	1,741	1,741
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	8,247	–	–	8,247
Loss on change in fair value of available-for-sale investment	–	–	–	–	–	–	–	(28,236)	–	(28,236)
Reclassification adjustment upon impairment of available-for-sale investment	–	–	–	–	–	–	–	7,077	–	7,077
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	8,247	(21,159)	1,741	(11,171)
Recognition of equity-settled share-based payments	–	–	–	27	–	–	–	–	–	27
Share repurchased and cancelled	(230)	(232)	230	–	–	–	–	–	(230)	(462)
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(15,656)	(15,656)
At 31 December 2011	152,180	185,388	1,012	626	1,581	1,174	49,674	–	163,892	555,527
Profit for the year	–	–	–	–	–	–	–	–	18,869	18,869
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	3,301	–	–	3,301
Loss on change in fair value of available-for-sale investment	–	–	–	–	–	–	–	(1,227)	–	(1,227)
Reclassification adjustment upon impairment of available-for-sale investment	–	–	–	–	–	–	–	1,227	–	1,227
Total comprehensive income for the year	–	–	–	–	–	–	3,301	–	18,869	22,170
Recognition of equity-settled share-based payments	–	–	–	16	–	–	–	–	–	16
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(23,533)	(23,533)
At 31 December 2012	152,180	185,388	1,012	642	1,581	1,174	52,975	–	159,228	554,180

	2012 US$'000	2011 US$'000
OPERATING ACTIVITIES		
Profit before taxation	**23,816**	6,367
Adjustments for:		
Allowance for inventories recognised	**621**	356
Depreciation of investment properties	**260**	284
Depreciation of property, plant and equipment	**16,000**	16,795
Net gain on derivative financial instruments	**(7,665)**	(3,565)
Net gain on held-for-trading investments	**(4,173)**	(467)
Loss on disposal of property, plant and equipment	**311**	234
Impairment loss on available-for-sale investments	**1,227**	7,077
Impairment loss on other investments reversed	**–**	(23)
Impairment loss on other receivables	**–**	103
Impairment loss on trade receivables	**1,406**	1,305
Interest expense	**1,643**	1,070
Interest income	**(4,276)**	(4,078)
Release of lease premium for land	**329**	273
Cash surrender value of life insurance	**100**	–
Share-based payment expense	**16**	27
Operating cash flows before working capital changes	**29,615**	25,758
(Increase) decrease in inventories	**(18,464)**	12,744
Increase in trade and other receivables	**(6,076)**	(4,141)
Increase (decrease) in trade and other payables	**1,599**	(999)
(Increase) decrease in held-for-trading investments	**(105,547)**	467
Decrease in derivative financial instruments	**5,446**	3,794
Cash (used in) generated from operations	**(93,427)**	37,623
PRC income tax paid	**(16)**	–
Hong Kong Profits Tax refunded	**–**	3
Overseas tax paid	**(4,959)**	(183)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(98,402)**	37,443

	Notes	2012 US$'000	2011 US$'000
INVESTING ACTIVITIES			
Release of short-term bank deposits		115,834	394,204
Interest received		4,276	4,078
Proceeds from redemption of other investments		1,000	25,000
Proceeds from disposal of property, plant and equipment		349	1,477
Withdrawal of pledged bank deposits		2	235
Placement of short-term bank deposits		(183,867)	(197,308)
Placement of pledged bank deposits		(8,200)	(2)
Purchase of property, plant and equipment		(2,546)	(6,632)
Deposits for acquisition of property, plant and equipment		(1,519)	–
Release of restricted bank deposits		–	410
Payment for lease premium for land		–	(1,075)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(74,671)	220,387
FINANCING ACTIVITIES			
Repayment of bank borrowings		(107,184)	(53,850)
Dividend paid		(23,533)	(15,656)
Interest paid		(1,643)	(1,070)
Payment on repurchase of shares		–	(462)
New bank borrowings raised		125,071	32,980
NET CASH USED IN FINANCING ACTIVITIES		(7,289)	(38,058)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(180,362)	219,772
CASH AND CASH EQUIVALENTS AT 1 JANUARY		279,168	58,000
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		715	1,396
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	26	99,521	279,168

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company is Advent Group Limited, which is incorporated in the British Virgin Islands ("BVI") and its ultimate holding company is Magnificent Capital Holding Limited, which is also incorporated in the BVI. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The consolidated financial statements are presented in United States dollar ("US$"), which is the same as the functional currency of the Company.

The Company is engaged in investment holding. Particulars of the principal activities of its subsidiaries are set out in Note 43.

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current or prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments HKAS[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

1 Effective for annual periods beginning on or after 1 January 2013.

2 Effective for annual periods beginning on or after 1 January 2014.

3 Effective for annual periods beginning on or after 1 January 2015.

4 Effective for annual periods beginning on or after 1 July 2012.

The directors anticipate that the application of the new or revised HKFRSs, other than those set out below, will have no material impact on the results and the financial position of the Group.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are that all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors anticipate that HKFRS 9 will be adopted by the Group for the year beginning 1 January 2015 and the adoption of HKFRS 9 in the future may affect the classification and measurement of the Group's available-for-sale investment. It is unlikely to have significant impact to the Group's other financial assets.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for the Group for the annual period beginning 1 January 2013, with earlier application permitted. The directors anticipate that the adoption of HKFRS 13 is unlikely to affect the financial instruments reported in the consolidated financial statements.

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

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

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently 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 to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, 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.

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 and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 their accounting policies into line with those used by other members of the Group.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

Revenue recognition

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

Revenue from the sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

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

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

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purpose other than freehold land and construction in progress (as described below) are 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 property, plant and equipment (other than freehold land and construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is stated at cost less accumulated impairment losses, if any.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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 income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average cost 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)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income and 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 those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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 reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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. United States dollar) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "lease premium for land" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

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 or 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 financial assets are classified into one of three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gain and loss line item in the consolidated income statement. Fair value is determined in the manner described in Note 25.

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, pledged bank deposits, short-term bank deposits and cash and cash equivalents, are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of the reporting period. Changes in fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investment revaluation reserve.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets 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, or observable changes in national or local economic conditions that correlate with default on receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset 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 a trade 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.

When an 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 in which the impairment takes place.

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

Impairment losses on available-for-sale equity investment will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve.

Financial liabilities and equity instruments

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

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 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.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities include trade and other payables and bank borrowings 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 Company are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

The Group's derivatives are neither designated nor effective as hedging instruments. These derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period, with the resulting gain or loss is recognised in profit or loss immediately.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 obligation are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SEGMENTAL INFORMATION

The Group's revenue are arising from manufacturing and sale of residential furniture.

For the purpose of resources allocation and performance assessment, the Group's chief operating decision markers, represent executive directors of the Company, review operating results and financial information on a brand by brand basis. They focus on the operating result of each brand. Each brand constitutes an operating segment of the Group. As each brand shares similar economic characteristics, has similar products, being produced under similar production process and has similar target group of customers, the Group's operating segments are aggregated into a single reportable segment and accordingly no separate segment information is prepared.

Segment profit before taxation of US$47,582,000 (2011: US$41,020,000) represents the profit before taxation earned by the single reportable segment excluding administrative expenses, other income, other gains, losses and expenses and finance costs.

Other segment information

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profits are as follows:

	Reportable segment total	Unallocated	Total
	US$'000	*US$'000*	*US$'000*
2012			
Depreciation of property, plant and equipment	**14,847**	**1,153**	**16,000**
Allowance for inventories	**621**	**–**	**621**
Impairment loss on available-for-sale investment	**–**	**1,227**	**1,227**
2011			
Depreciation of property, plant and equipment	15,653	1,142	16,795
Allowance for inventories	356	–	356
Impairment loss on available-for-sale investment	–	7,077	7,077

The unallocated depreciation of property, plant and equipment is in connection with corporate head quarters' furniture, plant and equipment, which are not included in segment information.

4. SEGMENTAL INFORMATION (continued)

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC"), the United Kingdom (the "U.K."), the U.S. (country of domicile), the Bangladesh and others.

The Group's revenue from external customers by their geographical location and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended 31 December		Non-current assets *(Note)* As at 31 December	
	2012	2011	**2012**	2011
	US$'000	*US$'000*	***US$'000***	*US$'000*
The PRC, including Hong Kong	**9,342**	7,435	**103,706**	117,382
The U.K.	**22,926**	24,578	**1,208**	1,228
The U.S. (country of domicile)	**380,000**	376,119	**47,294**	48,020
The Bangladesh	**–**	–	**9,303**	9,693
Others	**10,502**	15,307	**4,589**	3,499
	422,770	423,439	**166,100**	179,822

Note: Non-current assets excluded available-for-sale investments, cash-surrender value of life insurance and deferred tax assets.

Information about major customers

Revenue from customer contributing over 10% of the total sales of the Group are as follows:

	2012	2011
	US$'000	*US$'000*
Customer A	**48,967**	*

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

5. OTHER INCOME/OTHER GAINS, LOSSES AND EXPENSES

Other income mainly includes of bank interest income.

Other gains, losses and expenses mainly consist of net gain on derivative financial instruments and held-for-trading investments, loss on disposal of property, plant and equipment and net exchange loss.

6. FINANCE COSTS

The amount represents interest on bank borrowings wholly repayable within five years.

7. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

The emoluments paid or payable to each of the 8 directors of the Company were as follows:

	Shan Huei KUO	Yi-Mei LIU	Mohamad AMINOZZAKERI	Sheng Hsiung PAN	Yuang Whang LIAO	Ming-Jian KUO	Siu Ki LAU	Sui-Yu WU	Total
	US$'000 *(Note)*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2012									
Fees	**31**	**31**	**31**	**15**	**15**	**31**	**31**	**31**	**216**
Salaries and other benefits	**838**	**600**	**333**	**–**	**–**	**–**	**–**	**–**	**1,771**
	869	**631**	**364**	**15**	**15**	**31**	**31**	**31**	**1,987**
2011									
Fees	31	31	31	15	15	31	31	31	216
Salaries and other benefits	850	608	356	–	–	–	–	–	1,814
	881	639	387	15	15	31	31	31	2,030

Note: Mr. Shan Huei KUO is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

7. DIRECTORS' AND EMPLOYEES' REMUNERATIONS (continued)

Of the five individuals with the highest emoluments in the Group, three (2011: three) are the directors of the Company whose emoluments are included above. The emoluments of the remaining two (2011: two) individuals are as follows:

	2012 **US$'000**	2011 US$'000
Basic salaries and allowances	**894**	1,072
Retirement benefit scheme contributions	**11**	15
Share-based payment expense	**16**	27
	921	1,114

The emoluments of the five individuals with the highest emoluments were within the following bands:

	2012 **Number of directors/ employees**	2011 Number of directors/ employees
HK$2,500,001 to HK$3,000,000 (approximately US$322,000 to US$387,000)	**2**	–
HK$3,000,001 to HK$3,500,000 (approximately US$387,000 to US$451,000)	**–**	1
HK$3,500,001 to HK$4,000,000 (approximately US$451,000 to US$516,000)	**–**	1
HK$4,000,001 to HK$5,000,000 (approximately US$516,000 to US$645,000)	**2**	2
HK$6,500,001 to HK$7,000,000 (approximately US$838,000 to US$902,000)	**1**	1
	5	5

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

8. PROFIT BEFORE TAXATION

	2012 US$'000	2011 US$'000
Profit before taxation has been arrived at after charging (crediting):		
Staff costs	86,065	79,086
Share-based payment expense	16	27
Retirement benefit scheme contributions	2,638	1,456
Total staff costs including directors' remuneration *(Note 7)*	88,719	80,569
Allowance for inventories	621	356
Auditor's remuneration	758	695
Cost of inventories recognised as an expense	314,611	318,031
Depreciation of investment properties	260	284
Depreciation of property, plant and equipment	16,000	16,795
Impairment loss on other receivables	–	103
Impairment loss on trade receivables	1,406	1,305
Loss on disposal of property, plant and equipment*	311	234
Net gain on derivative financial instruments*	(7,665)	(3,565)
Net gain on held-for-trading investments*	(4,173)	(467)
Release of lease premium for land	329	273
Bank interest income (included in other income)	(4,276)	(4,078)
Net exchange loss*	88	2,702
Redundancy costs*	2,431	–
Reversal of impairment loss on other investment	–	23
Service income from provision of logistics arrangement services	69	72

* These items are included in other gains, losses and expenses.

9. TAXATION

	2012	2011
	US$'000	*US$'000*
Tax charge comprises:		
Current tax:		
The PRC Enterprise Income Tax ("EIT")	**1,369**	700
The U.S. income tax		
Current year	**3,976**	1,311
Estimated provision (reversed) recognised in respect of prior years	**(237)**	2,234
Taiwan income tax	**5**	11
	5,113	4,256
Deferred tax *(Note 30)*	**(166)**	370
	4,947	4,626

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company's subsidiaries in Hong Kong have no assessable profit for both years.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the income tax rate of the PRC subsidiaries is 25%.

Pursuant to the relevant laws and regulations in the PRC, Lacquer Craft Mfg. Co., Ltd. (Zhejiang) ("LCZJ"), a subsidiary of the Company, is entitled to the exemption from the EIT for two years starting from its first profit-making year, after offsetting the accumulated tax losses, and a 50% relief from the EIT for the following three years ("Tax Holidays"). LCZJ had its first profit-making year in 2007 and the income tax rate applicable to LCZJ is 25% (2011: 12.5%) for the year. The income tax rate applicable for other subsidiaries of the Company in the PRC is 25% for both years.

The U.S. income tax charge comprises federal income tax calculated at 34% and state income tax calculated at various rates on the estimated assessable profits of the Company's subsidiaries in the U.S..

In 2010, certain subsidiaries in the U.S. had outstanding tax queries with the tax bureau in the U.S. regarding the taxability of certain sales arrangement in prior years. In May 2011, the Internal Revenue Service ("IRS") concluded its field examination of these subsidiaries' 2008 and 2009 federal income tax returns and assessed an aggregate additional tax with interest and penalty amounting to approximately US$7 million. The subsidiaries protested strongly the findings and conclusions of the field operations examiner and filed a formal protest which was prepared by the subsidiaries' counsel to the Appeals Office of the IRS in June 2011. In 2011, the subsidiaries recognised an aggregate additional tax liability of US$2,234,000, of which US$1,432,000 was provided for 2008 and 2009 as a result of the IRS examination and US$802,000 was additional tax liability for 2010 paid in that year. In January 2012, the subsidiaries submitted a response to the IRS's rebuttal to their formal protest and is currently in the final stages of the appeals process. In May 2012, the subsidiaries paid to the IRS US$1,128,000 and reassessed the potential liability based on the ongoing communication with the IRS and accordingly a reversal of provision of US$237,000 has been credited to profit or loss for the year. At the date of this report, no formal written document has been received from the IRS establishing the final resolution of the 2008 and 2009 IRS examination, but the directors of the Company, after consulting with tax advisor, are of the view that no significant tax liability would exist for the IRS examination in respect of the year of 2008 and 2009.

9. TAXATION (continued)

During the year 2012, the IRS has performed an examination of these subsidiaries' 2010 federal income tax return. As a result of this examination, no adjustments were made to the 2010 federal income tax return.

Taiwan income tax is calculated at 17% (2011: 17%) of the deemed assessable profits of the branch of Samson International Enterprises Limited, a subsidiary of the Company in Taiwan.

No taxation arising in other jurisdictions as the subsidiaries in the relevant jurisdictions incurred tax losses or have no assessable profits.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2012	2011
	US$'000	*US$'000*
Profit before taxation	**23,816**	6,367
Taxation at the U.S. federal income tax rate of 34%	**8,097**	2,165
U.S. state income tax at various rates	**905**	227
Tax effect of expenses not deductible for tax purpose	**4,469**	5,782
Tax effect of income not taxable for tax purpose	**(4,705)**	(646)
(Over)underprovision in respect of prior years	**(237)**	2,234
Tax effect of tax losses not recognised	**1,497**	2,808
Utilisation of tax losses previously not recognised	**(58)**	(16)
Effect of Tax Holidays granted to a subsidiary in the PRC	**–**	(699)
Effect of profits earned by subsidiaries operating in other jurisdictions	**(5,021)**	(7,229)
Tax charge for the year	**4,947**	4,626

Details of the deferred taxation are set out in Note 30.

10. DIVIDEND

	2012 US$'000	2011 US$'000
Dividend recognised as distribution during the year:		
Interim – HK$0.040 per share for 2012 (2011: HK$0.020 per share for 2011)	**15,693**	7,816
Final – HK$0.020 per share for 2011 (2011: HK$0.020 per share for 2010)	**7,840**	7,840
	23,533	15,656

Final dividend of HK$0.080 per share in respect of the year ended 31 December 2012 (2011: HK$0.020 per share in respect of the year ended 31 December 2011) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2012 US$'000	2011 US$'000
Profit for the year and earnings for the purpose of basic and diluted earnings per share	**18,869**	1,741

	2012 Number of shares	2011 Number of shares
Weighted average number of shares for the purpose of basic earnings per share	**3,043,609,773**	3,047,453,625
Effect of dilutive potential ordinary shares:		
Share options	**882,204**	2,253,687
Weighted average number of shares for the purpose of diluted earnings per share	**3,044,491,977**	3,049,707,312

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'000	Buildings US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Furniture, fixture and equipment US$'000	Construction in progress US$'000	Total US$'000
COST								
At 1 January 2011	8,876	91,614	96,170	9,756	2,678	37,821	10,609	257,524
Exchange adjustments	–	3,134	3,161	491	76	1,027	5	7,894
Additions	–	887	2,829	463	69	167	2,217	6,632
Transfer	–	4,657	176	–	–	666	(5,499)	–
Reclassification	(2,331)	2,982	–	–	–	(651)	–	–
Disposals	–	(353)	(3,490)	–	(275)	(170)	–	(4,288)
At 31 December 2011	6,545	102,921	98,846	10,710	2,548	38,860	7,332	267,762
Exchange adjustments	–	995	1,043	119	18	335	(60)	2,450
Additions	–	169	477	607	244	198	851	2,546
Transfer	–	2,150	1,289	–	–	1,059	(4,498)	–
Adjustment of overprovision	–	–	–	–	–	–	(1,682)	(1,682)
Reclassification	–	–	515	–	(515)	–	–	–
Disposals	–	(200)	(1,774)	–	(115)	(236)	–	(2,325)
At 31 December 2012	**6,545**	**106,035**	**100,396**	**11,436**	**2,180**	**40,216**	**1,943**	**268,751**
DEPRECIATION								
At 1 January 2011	–	20,882	48,892	4,579	1,800	27,218	–	103,371
Exchange adjustments	–	941	2,442	250	62	958	–	4,653
Provided for the year	–	4,590	8,704	932	258	2,311	–	16,795
Reclassification	–	557	–	–	–	(557)	–	–
Eliminated on disposals	–	(351)	(1,832)	–	(248)	(146)	–	(2,577)
At 31 December 2011	–	26,619	58,206	5,761	1,872	29,784	–	122,242
Exchange adjustments	–	300	683	73	14	263	–	1,333
Provided for the year	–	4,759	8,155	1,034	238	1,814	–	16,000
Reclassification	–	–	342	–	(342)	–	–	–
Eliminated on disposals	–	(186)	(1,206)	–	(101)	(172)	–	(1,665)
At 31 December 2012	**–**	**31,492**	**66,180**	**6,868**	**1,681**	**31,689**	**–**	**137,910**
CARRYING VALUE								
At 31 December 2012	**6,545**	**74,543**	**34,216**	**4,568**	**499**	**8,527**	**1,943**	**130,841**
At 31 December 2011	6,545	76,302	40,640	4,949	676	9,076	7,332	145,520

The freehold land is situated in the U.S..

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of the property, plant and equipment less their residual values are depreciated on a straight-line basis at the following rates per annum:

Buildings	2.5% – 5%
Plant and machinery	10%
Leasehold improvements	Shorter of 10% or over the lease term
Motor vehicles	20%
Furniture, fixture and equipment	20%

13. INVESTMENT PROPERTIES

	US$'000
COST	
At 1 January 2011, 31 December 2011 and 31 December 2012	12,185
DEPRECIATION	
At 1 January 2011	2,575
Transfer from property, plant and equipment	284
At 31 December 2011	2,859
Provided for the year	260
At 31 December 2012	3,119
CARRYING VALUES	
At 31 December 2012	9,066
At 31 December 2011	9,326

The above investment properties are situated on freehold land in the U.S. and the building elements are depreciated on a straight-line basis at 2.5% the per annum.

The fair value of the Group's investment properties at 31 December 2012 was US$12,510,000 (31 December 2011: US$13,565,000) as determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers.

14. LEASE PREMIUM FOR LAND

	2012 US$'000	2011 US$'000
The Group's lease premium for land under operating lease is analysed as follows:		
Medium-term land use rights situated in the PRC	10,624	10,775
Medium-term land use rights situated in Indonesia	1,236	1,388
	11,860	12,163
Analysed for reporting purposes as:		
Current asset	330	331
Non-current asset	11,530	11,832
	11,860	12,163

15. GOODWILL

	US$'000
COST	
At 1 January 2011, 31 December 2011 and 31 December 2012	11,475

Particulars regarding impairment testing on goodwill are disclosed in Note 17.

16. OTHER INTANGIBLE ASSETS

	Club debenture	Trademark	Total
	US$'000	US$'000	US$'000
COST			
At 1 January 2011, 31 December 2011 and 31 December 2012	40	1,669	1,709
AMORTISATION			
At 1 January 2011, 31 December 2011 and 31 December 2012	**40**	**–**	**40**
CARRYING VALUE			
At 31 December 2011 and 31 December 2012	**–**	**1,669**	**1,669**

The club debenture has finite useful life and was amortised on a straight-line basis over its estimated useful life of 5 years. It was fully amortised in 2009.

The trademark is considered to have an indefinite legal life because it can be renewed every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademark is considered by management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing on trademark are disclosed in Note 17.

17. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSET WITH INDEFINITE USEFUL LIFE

For the purposes of impairment testing, the goodwill and trademark with indefinite useful life set out in Notes 15 and 16 respectively have been allocated to two individual cash generating units ("CGU(s)"). The carrying amounts of the goodwill and trademarks as at end of reporting period allocated to these units are as follows:

	Goodwill 2012 & 2011 US$'000	Trademark 2012 & 2011 US$'000
Brand A	**11,475**	–
Brand B	**–**	1,669
	11,475	1,669

During the year, management of the Group determined that there was no impairment of its CGUs containing the goodwill or trademark with indefinite useful life. The basis of the recoverable amount of the above CGUs and their major underlying assumptions are summarised below:

Brand A

The recoverable amount of this unit has been determined based on a value in use calculation. The management believes this unit has an indefinite useful life. However for the purposes of the impairment test the calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 17% (2011: 16%) with a steady 5% (2011: 5%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. This unit's cash flows beyond the five-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

Brand B

The recoverable amount of this unit has been determined on the basis of a value in use calculations. The management believes this unit has an indefinite useful life. However, for the purpose of the impairment test, the calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 17% (2011: 16%) with a steady 3% (2011: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. This unit's cash flows beyond the five-year period are extrapolated using a zero growth rate. Other key assumptions for value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

18. AVAILABLE-FOR-SALE INVESTMENT

	2012	2011
	US$'000	*US$'000*
Equity securities listed in the U.S., at fair value	**7,655**	8,882

At 31 December 2012, the Group held the investment in equity securities which represented 12.8% (2011: 13.0%) equity interests in a company listed on the New York Stock Exchange.

The equity investment is classified as available-for-sale investment and is measured at its fair value based on the listed stock bid price of the equity securities as at the end of the reporting period.

An impairment loss of US$1,227,000 (2011: US$7,077,000) has been recognised on the above equity investment due to decline in fair value of the investment during the year.

19. DEPOSITS PAID FOR PURCHASE OF PROPERTIES

The deposits were made in connection with the purchase of property located in Taiwan which were not yet delivered to the Group at the end of the reporting period. The remaining purchase consideration of approximately US$8,583,000 (2011: Nil) has been disclosed as capital commitment in Note 38.

20. CASH SURRENDER VALUE OF LIFE INSURANCE

Amount under deferred compensation plan (Note 29) has been invested in an insurance policy in accordance with the terms of the deferred compensation plan. The Group is the beneficiary of such investments. The carrying amount represents the cash surrender value of the policy and approximates its fair value at the end of the reporting period.

21. INVENTORIES

	2012	2011
	US$'000	*US$'000*
Raw materials	**35,145**	31,679
Work in progress	**11,260**	12,080
Finished goods	**73,179**	56,923
	119,584	100,682

22. TRADE AND OTHER RECEIVABLES

	2012 US$'000	2011 US$'000
Trade receivables	**82,137**	77,556
Less: Allowance for doubtful debts	**(2,868)**	(1,871)
	79,269	75,685
Other receivables and prepayments *(Note)*	**14,466**	13,066
	93,735	88,751

Note: Other receivables and prepayments mainly included advances to suppliers, interest receivables and deposits.

The Group generally allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of the Group's trade receivables net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	2012 US$'000	2011 US$'000
0 – 30 days	**43,866**	41,252
31 – 60 days	**21,464**	23,283
Over 60 days	**13,939**	11,150
	79,269	75,685

Before accepting any new customer, the Group has to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. The majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$13,939,000 (2011: US$11,150,000) which are past due at the reporting date for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES (continued)

Ageing of trade receivables which are past due but not impaired is as follows:

	2012 US$'000	2011 US$'000
Over 60 days	13,939	11,150

Movement in the allowance for doubtful debts is as follows:

	2012 US$'000	2011 US$'000
Balance at beginning of the year	1,871	1,247
Impairment losses recognised on trade receivables	1,406	1,305
Written off as uncollectible	(409)	(681)
Balance at end of the year	2,868	1,871

In determining the recoverability of a 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. When a trade receivable is considered uncollectible as a result of liquidation, it is written off as uncollectible against the allowance amount. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$2,868,000 (2011: US$1,871,000) which have either been placed under liquidation or in severe financial difficulties. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount. The Group does not hold any collateral over these balances.

All of the trade and other receivables are denominated in currencies which are the same as the functional currencies of the relevant group entities.

23. OTHER INVESTMENT

At 31 December 2011, an amount of US$1,000,000 represented an investment in an unlisted certificate issued by a financial institution with coupon rate at London Interbank Offered Rate ("LIBOR") plus 2% per annum, principal guaranteed which was fully redeemed on maturity in April 2012.

24. HELD-FOR-TRADING INVESTMENTS

	2012 US$'000	2011 US$'000
Debt securities, at fair value:		
Listed in the U.S. with fixed interest of 1.1% to 6.75% and maturity from August 2013 to October 2020	38,890	–
Listed in Hong Kong with fixed interest of 1.4% to 6.25% and maturity from June 2013 to December 2020	24,687	–
Listed in Singapore with fixed interest of 2.71% to 5.125% and maturity from June 2014 to February 2021	22,724	–
Listed in other jurisdictions with fixed interest of 2.9% to 9.13% and maturity from March 2013 to October 2019	23,419	–
	109,720	–

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2012 US$'000	2011 US$'000
Derivative financial assets			
Foreign currency forward contracts	*(a)*		
– gross settled		1,732	844
– net settled		210	930
Currency structured forward contracts	*(b)*		
– net settled		178	–
Foreign currency forward options	*(c)*		
– net settled		321	–
		2,441	1,774
Derivative financial liabilities			
Foreign currency forward contracts	*(a)*		
– net settled		–	879
Currency structured forward contracts			
– net settled	*(b)*	–	673
		–	1,552

25. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Notes:

(a) Foreign currency forward contracts

The Group entered into a variety of foreign currency forward contracts to manage its exchange rate exposures. Major terms of foreign currency forward contracts at the end of the reporting period are as below:

Aggregate notional amount	Maturity	Forward exchange rates
2012		
Sell US$125.0 million	From January 2013 to December 2013	RMB/US$6.3035 to RMB/US$6.4671
Sell RMB62.6 million	February 2013	RMB/US$6.2590
2011		
Sell US$219.0 million	From January 2012 to December 2012	RMB/US$6.3005 to RMB/US$6.5320
Sell RMB585.0 million	From January 2012 to October 2012	RMB/US$6.3830 to RMB/US$6.770

At the end of the reporting period, the fair value of the above forward contracts were determined based on the difference between the market forward rates at the end of the reporting period for remaining duration of the outstanding contracts and their contracted forward rates or valuation provided by the counterparty banks using valuation techniques.

(b) Currency structured forward contracts

At the end of the reporting period, the Group had the following outstanding RMB/US$ net-settled structured forward contracts:

2012

- A contract with a notional amount of US$2.0 million under which the Group is obliged to pay the counterparty bank a sum if the market exchange rate of buy RMB/sell US$ on the fixing date is more than 6.50, or the Group has the right to receive a sum from the counterparty bank if the market exchange rate of buy RMB/sell US$ on the fixing date falls between 6.25 and 6.40. However, the Group is not obliged to buy RMB/sell US$ if the market exchange rate is above 6. 40 but not more than 6.50 on the fixing date. The contract is settled on a monthly basis up to January 2014.

- A contract with a notional amount of US$3.0 million under which the Group is obliged to pay the counterparty bank a sum if the market exchange rate of buy RMB/sell US$ on the fixing date is more than 6.50, or the Group has the right to receive a sum from the counterparty bank if the market exchange rate of buy RMB/sell US$ on the fixing date falls between 6.25 and 6.40. However, the Group is not obliged to buy RMB/sell US$ if the market exchange rate is above 6.40 but not more than 6.50 on the fixing date. The contract is settled on a monthly basis up to March 2014.

25. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Notes: (continued)

(b) Currency structured forward contract (continued)

- A contract with a notional amount of US$2.0 million under which the Group is obliged to pay the counterparty bank a sum if the market exchange rate of buy RMB/sell US$ on the fixing date is more than 6.50, or the Group has the right to receive a sum from the counterparty bank if the market exchange rate of buy RMB/sell US$ on the fixing date falls between 6.23 and 6.40. However, the Group is not obliged to buy RMB/sell US$ if the market exchange rate is above 6. 40 but not more than 6.50 on the fixing date. The contract is settled on a monthly basis up to April 2014.

- A contract with a notional amount of US$2.0 million under which the Group is obliged to pay the counterparty bank a sum if the market exchange rate of buy RMB/sell US$ on the fixing date is more than 6.50, or the Group has the right to receive a sum from the counterparty bank if the market exchange rate of buy RMB/sell US$ on the fixing date falls between 6.275 and 6.45. However, the Group is not obliged to buy RMB/sell US$ if the market exchange rate is above 6.45 but not more than 6.50 on the fixing date. The contract is settled on a monthly basis up to July 2014.

2011

- A contract under which the Group is obliged to buy RMB/sell US$ at a fixed rate of 6.482 if the market exchange rate is below or equal to 6.45 on the fixing date for a notional amount of US$10 million, or the Group is obliged to buy RMB/sell US$ at a fixed rate of 6.45 if the market exchange rate is above 6.5 on the fixing date for a notional amount of US$20 million. However, the Group is not obliged to buy RMB/sell US$ if the market exchange rate is above 6.45 but not more than 6.5 on the fixing date. The contract is settled on a monthly basis up to September 2012.

- Certain contracts to buy US$/sell RMB at a specific fixed rate on a specific fixing date in October 2012 with an aggregate potential maximum total notional amount of US$60 million.

There are knock out features for these contracts under which these contracts will terminate earlier under certain conditions.

At the end of the reporting period, the fair value of the above currency structured forward contracts was determined based on valuation provided by the counterparty bank using valuation techniques.

(c) Foreign currency forward options

At the end of the reporting period, the Group had the following outstanding foreign currency forward options:

Aggregate notional amount	Maturity	Forward exchange rates
2012		
Sell US$304.0 million	From January 2013 to December 2013	RMB/US$6.2721 to RMB/US$6.4671
Sell Pound Sterling ("GBP") 23.7 million	From January 2013 to October 2013	US$/GBP1.543 to US$/GBP1.68

At the end of the reporting period, the fair value of the above options were determined based on valuation provided by the counterparty banks using valuation techniques.

26. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/CASH AND CASH EQUIVALENTS

The pledged bank deposits of US$8,200,000 (2011: US$2,000) were pledged to secure bank borrowings of the Group and carry a fixed interest rate of 0.2% (2011: 0.66%) per annum.

The short-term bank deposits of US$104,078,000 (2011: US$36,045,000) have original maturity more than three months and up to twelve months with effective interest rate of 1.8% (2011: 1.2%) per annum.

The cash and cash equivalents of US$99,521,000 (2011: US$279,168,000) have original maturity of three months or less. The balances comprise deposits placed in banks of US$99,521,000 (2011: US$278,570,000) with effective interest rate of 1.57% (2011: 1.55%) per annum and deposits placed in financial institutions of US$598,000 at 31 December 2011 with effective interest rate of 0.02% per annum.

The bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2012	2011
	US$'000	*US$'000*
US$	**362**	13,248
GBP	**8,693**	9,486
New Taiwan dollar ("TWD")	**1,752**	5,074

27. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period.

	2012	2011
	US$'000	*US$'000*
Trade payables:		
0 – 30 days	**18,300**	18,501
31 – 60 days	**4,561**	3,796
Over 60 days	**1,777**	3,737
	24,638	26,034
Other payables and accruals *(Note)*	**29,068**	27,960
	53,706	53,994

Note: Other payables and accruals mainly included accrued salaries and bonus, accrued transportation expenses and receipts in advance.

The average credit period on purchases of goods is 60 days.

27. TRADE AND OTHER PAYABLES (continued)

The above trade and other payables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2012	2011
	US$'000	*US$'000*
US$	**1,647**	1,923
TWD	**2**	13

28. BANK BORROWINGS

The Group has the following bank borrowings, all of which are due within one year:

	2012	2011
	US$'000	*US$'000*
Revolving line of credit	**94,142**	67,855
Trust receipt and import loans	**4,000**	12,272
	98,142	80,127
Analysed as:		
Secured	**–**	10,855
Unsecured	**98,142**	69,272
	98,142	80,127

The Group's bank borrowings are interest bearing as follows:

	2012	2011
	US$'000	*US$'000*
Fixed-rate borrowings	**13,080**	–
Variable-rate borrowings	**85,062**	80,127
	98,142	80,127

The Group has variable-rate borrowings which carry interest at a premium over LIBOR, Singapore Interbank Offered Rate and Taiwan Borrowing Rate.

28. BANK BORROWINGS (continued)

The average effective interest rates on the Group's bank borrowings during the year are as follows:

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	**2.66%**	2.24%
Variable-rate borrowings	**1.09%**	1.28%

The above borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2012	2011
	US$'000	*US$'000*
US$	**13,080**	12,272

As at 31 December 2012, the bank borrowings of US$17,662,000 (2011: nil) were guaranteed by Mr. Shan Huei KUO and Ms. Yi-Mei LIU, both are directors and ultimate controlling parties of the Company.

29. DEFERRED COMPENSATION

The Group has adopted deferred compensation plan for a key executive. Under the terms of this plan, the executive may defer a discretionary amount which is payable to the executive upon his retirement, death or termination of service. This amount is invested by the Group in managed investment funds through an insurance company (Note 20). The balance is stated at fair value at the end of the reporting period.

The fair value of the deferred compensation was determined based on the valuation provided by the counterparty financial institution by reference to the quoted price of the underlying units held.

30. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*
At 1 January 2011	2,163	(3,217)	(1,054)
Exchange adjustments	2	–	2
(Credit) charge to profit or loss	(103)	473	370
At 31 December 2011	2,062	(2,744)	(682)
Exchange adjustments	4	–	4
Charge (credit) to profit or loss	7	(173)	(166)
At 31 December 2012	**2,073**	**(2,917)**	**(844)**

Others represent deferred tax on temporary differences on allowance for trade receivables, inventories and accrued expenses.

Deferred tax assets and liabilities have not been offset for the purpose of presentation in the consolidated statement of financial position as they relate to different tax authorities. The following is the analysis of the deferred taxation balance for financial reporting purposes:

	2012	2011
	US$'000	*US$'000*
Deferred tax liabilities	**2,842**	2,393
Deferred tax assets	**(3,686)**	(3,075)
	(844)	(682)

At the end of the reporting period, the Group has unused tax losses of US$13,465,000 (2011: US$9,233,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The unrecognised tax losses comprise an amount of US$10,525,000 (2011: US$7,290,000) that may be carried forward for a period of five years from their respective year of origination. Other losses may be carried forward indefinitely.

30. DEFERRED TAXATION (continued)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries established in the PRC from 1 January 2008 onwards. At 31 December 2012, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries operated in the PRC and the U.S. for which deferred tax liabilities have not been recognised were US$6,658,000 (2011: US$5,989,000) and US$56,740,000 (2011: US$56,332,000), respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. SHARE CAPITAL

	Number of shares	Nominal value US$'000
Ordinary shares of US$0.05 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 31 December 2012	6,000,000,000	300,000
Issued and fully paid:		
At 1 January 2011	3,048,219,773	152,410
Shares repurchased and cancelled	(4,610,000)	(230)
At 31 December 2011 and 31 December 2012	3,043,609,773	152,180

During the year ended 31 December 2011, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share Highest US$	Price per share Lowest US$	Aggregate consideration paid US$'000
September 2011	866,000	0.10	0.09	85
October 2011	2,707,000	0.10	0.09	263
November 2011	1,037,000	0.11	0.11	114
	4,610,000			462

31. SHARE CAPITAL (continued)

The above ordinary shares repurchased were cancelled on delivery of share certificates. The nominal value of US$230,000 of all the shares cancelled during the year ended 31 December 2011 was transferred from accumulated profits to capital redemption reserve. The premium paid on the repurchase of these shares in the amount of US$232,000 was charged to share premium. The aggregate consideration to repurchase these shares in the amount of US$462,000 was deducted from shareholders' equity.

None of the Company's subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the years.

32. SHARE OPTION SCHEME

On 24 October 2005, a share option scheme (the "Share Option Scheme") was approved by a resolution of the shareholders and adopted by a resolution of the board of directors of the Company (the "Board"). The purpose of the Share Option Scheme is to attract skilled and experienced personnel, to incentivise them to remain with the Group and to give effect to the Group's customer-focused corporate culture, and to motivate them to strive for the future development and expansion of the Group, by providing them with the opportunity to acquire equity interests in the Group. The Board may, at its absolute discretion, offer any employee, management member or director of the Group and third party service providers options to subscribe for shares on the terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 17 November 2005, i.e. 276,000,000 shares, representing 9,07% of the issued share capital of the Company as at the date of this report.

The Share Option Scheme does not contain any minimum period(s) for which an option must be held before it can be exercised. However, at the time of grant of the options, the Board may specify any such minimum period(s) up to five years.

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period from the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

An amount of HK$1.00 is payable on acceptance of the option to be granted. 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 proceeding the date of grant; and (iii) the nominal value of the Company's shares.

Subject to the early termination of the Share Option Scheme in accordance with the Share Option Scheme rules, the Share Option Scheme will expire on 16 November 2015.

32. SHARE OPTION SCHEME (continued)

Details of the share options granted and outstanding under the Share Option Scheme during the year were as follows:

	Date of Grant	Exercise Price HK$	Vesting Date	Exercise Period	Number of share options: Outstanding as at 1.1.2011	Granted (forfeited) during the year	Outstanding as at 31.12.2011	Granted (forfeited) during the year	Outstanding as at 31.12.2012
Director:									
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	83,333	–	83,333	–	83,333
			6.2.2008	6.2.2008 – 16.11.2015	83,333	–	83,333	–	83,333
			6.2.2009	6.2.2009 – 16.11.2015	83,334	–	83,334	–	83,334
					250,000	–	250,000	–	250,000
Other employees:									
In aggregate	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	1,789,649	–	1,789,649	–	1,789,649
			6.2.2008	6.2.2008 – 16.11.2015	1,789,649	–	1,789,649	–	1,789,649
			6.2.2009	6.2.2009 – 16.11.2015	1,789,649	–	1,789,649	–	1,789,649
	29.12.2008	0.87	15.12.2009	15.12.2009 – 16.11.2015	1,500,000	–	1,500,000	–	1,500,000
			15.12.2010	15.12.2010 – 16.11.2015	1,500,000	–	1,500,000	–	1,500,000
			15.12.2011	15.12.2011 – 16.11.2015	1,500,000	–	1,500,000	–	1,500,000
			15.12.2012	15.12.2012 – 16.11.2015	1,500,000	–	1,500,000	–	1,500,000
			15.12.2013	15.12.2013 – 16.11.2015	1,500,000	–	1,500,000	–	1,500,000
					12,868,947	–	12,868,947	–	12,868,947
Total					13,118,947	–	13,118,947	–	13,118,947
Exercisable at the end of the year							10,118,947		11,618,947
Weighted average exercise price					2.30	–	2.30	–	2.30

The exercise price of share options granted was fixed at the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant.

The Group has recognised the total expense of US$16,000 (2011: US$27,000) for the year in relation to share options granted by the Company.

33. MERGER RESERVE

The merger reserve represents the differences between the nominal value of the share of Samson Pacific Company Limited, the intermediate holding company of certain members of the Group, and the nominal value of its holding company, Samson Worldwide Limited's shares issued for a share swap on 31 December 2005.

34. STATUTORY RESERVE

Pursuant to the relevant regulations applicable to foreign investment enterprises established in the PRC, Lacquer Craft Mfg. Co., Ltd. (Dongguan) ("LCDG") and LCZJ were required to transfer a certain percentage of their profit after taxation to the statutory reserve in accordance with generally accepted accounting policies in the PRC until the reserve balance reaches 50% of their registered capitals. The balances of the statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to setoff accumulated losses or increase capital.

35. 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 equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes, bank borrowings disclosed in Note 28 (net of cash and cash equivalents disclosed in Note 26), and equity attributable to equity holders of the Company, comprising issued capital, share premium and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors consider the cost of capital and risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or redemption of existing debt.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012	2011
	US$'000	*US$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**295,322**	394,491
Held-for-trading investments	**109,720**	–
Derivative financial instruments	**2,441**	1,774
Available-for-sale financial asset	**7,655**	8,882
Financial liabilities		
Financial liabilities at amortised cost	**124,335**	109,472
Derivative financial instruments	**–**	1,552

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, other investment, trade and other receivables, held-for-trading investments, derivative financial instruments, pledged bank deposits, short-term bank deposits, cash and cash equivalents, trade and other payables and bank borrowings. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain subsidiaries of the Company have foreign currency purchases and, accordingly, the Group has trade and other payables denominated in foreign currencies. In addition, the Group has bank balances and bank borrowings denominated in currencies other than the functional currency of the relevant group entities. As a result, the Group is exposed to foreign currency risk.

At the end of the reporting period, the carrying amount of the Group's monetary assets and monetary liabilities (including intercompany receivables and payables within the Group), which are denominated in foreign currencies of the relevant group entities are as follows:

	Assets		**Liabilities**	
	2012	2011	**2012**	2011
	US$'000	*US$'000*	***US$'000***	*US$'000*
US$	**3,327**	13,431	**71,599**	93,733
GBP	**20,715**	9,486	**–**	–
TWD	**1,752**	5,074	**2**	13

The Group has entered into forwards, options and currency structured forward contracts to manage its foreign currency exposure.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation in US$ against Renminbi ("RMB"), GBP and TWD.

The following table details the Group's sensitivity to a certain percentage increase in the functional currencies of the relevant group entities against relevant foreign currencies. At 31 December 2011, 3% was the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represented management's assessment of the reasonably possible change in foreign exchange rates. As a result of volatile financial market in 2012, the management adjusted the sensitivity rate from 3% to 1% for the purpose of assessing foreign currency risk of US$ against RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 1% or 3% (2011: 3%) increase in respective foreign currency rate. A 1% or 3% (2011: 3%) strengthening of the functional currencies of the relevant group entities against RMB and relevant foreign currency will give rise to the following impact to post-tax profit for the year. For a 1% or 3% (2011: 3%) weakening of the functional currencies of the relevant group entities against RMB and the relevant foreign currency, there would be an equal and opposite impact.

	2012	2011
	US$'000	*US$'000*
Increase (decrease) in post-tax profit		
– US$	**512**	1,943
– GBP	**(621)**	(285)
– TWD	**(44)**	(126)

For the outstanding forward, options and currency structured forward contracts, the sensitivity analysis has been estimated based on the contracts outstanding at the end of respective reporting periods. If the relevant market forward exchange rate of US$ against the RMB and GBP changes by 1% and 3% respectively (2011:3%), the potential effect on post-tax loss for the year is as follows:

	2012	2011
	US$'000	*US$'000*
Increase (decrease) in post-tax profit		
– US$ strengthens against RMB	**2,897**	1,530
– US$ weakens against RMB	**(2,665)**	(1,756)
– US$ strengthens against GBP	**208**	–
– US$ weakens against GBP	**(208)**	–

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risks in relation to other investment, bank balances and variable-rate bank borrowings (see Notes 23, 26 and 28 respectively for details). The Group is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and fixed-rate bank deposits and borrowings (see Notes 26 and 28 respectively for details).

The Group currently does not have an interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. However, management monitors interest rate exposure on going basis and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR.

Sensitivity analysis

The sensitivity analysis below has been prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2011: 50 basis points) increase or decrease is used for variable-rate bank borrowings and a 10 basis points (2011: 10 basis points) increase or decrease is used for other investments and bank balances when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2011: 50 basis points) higher/lower for variable-rate bank borrowings and 10 basis points (2011: 10 basis points) higher/lower for other investments and bank balances and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by US$476,000 (2011: US$156,000).

(iii) Other price risk

The Group is exposed to equity price risk through its available-for-sale investment (Note 18). Management manages this exposure by closely monitoring the investment.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) *Other price risk* (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the price of the respective instrument had been 5% (2011: 5%) higher/lower and all other variables were held constant, post-tax profit of the Group for the year would increase/decrease by US$383,000 (2011: US$444,000) as a result of decrease/increase of impairment loss on available-for-sale investment. There would be no impact on the investment revaluation reserve of the Group at the end of the reporting period.

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group sets appropriate credit limits for customers, follows up overdue debts and reviews the recoverable amount of each individual debt at the end of the reporting period date 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 and financial institutions with good reputation.

In addition, the credit risk on held-for-trading investments is limited as the management manages this exposure by maintaining a portfolio of investment with different risk profiles and listed in different stock exchange markets.

The Group is solely engaged in the furniture industry, and its concentration of credit risk by geographical locations is mainly in the U.S., which accounted for 86% (2011: 88%) of the total trade receivables as at 31 December 2012. The Group also has concentration of credit risk by customer as 55% (2011: 56%) and 37% (2011: 28%) of the total trade receivables were due from the Group's five largest customers and largest customer respectively.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

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. The Group's liquidity position is monitored closely by the management of the Company.

The following first table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following second table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual cash (inflows) and outflows on derivative instruments according to the related contractual arrangement on settlement, e.g. either on a net or gross basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2012						
Non-derivative financial instruments						
Trade and other payables	–	19,621	4,948	1,624	26,193	26,193
Bank borrowings – fixed rate	2.66	3,402	10,293	–	13,695	13,080
Bank borrowings – variable rate	1.09	85,139	–	–	85,139	85,062
		108,162	15,241	1,624	125,027	124,335
Derivative financial instruments – gross settlement						
Foreign currency forward contracts						
– inflow	–	(24,556)	(24,643)	(72,251)	(121,450)	(117,604)
– outflow	–	24,249	24,336	71,072	119,657	115,872
		(307)	(307)	(1,179)	(1,793)	(1,732)

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2011						
Non-derivative financial instruments						
Trade and other payables	–	20,634	6,347	2,364	29,345	29,345
Bank borrowings – variable rate	1.35	8,048	21,370	51,396	80,814	80,127
		28,682	27,717	53,760	110,159	109,472
Derivative financial instruments – net settlement						
Foreign currency forward contracts	–	740	–	183	923	879
Currency structured forward contracts	–	29	57	599	685	673
		769	57	782	1,608	1,552
Derivative financial instruments – gross settlement						
Foreign currency forward contracts						
– inflow	–	(8,523)	(15,920)	(90,907)	(115,350)	(109,858)
– outflow	–	8,389	15,742	90,334	114,465	109,014
		(134)	(178)	(573)	(885)	(844)

The above amount relating to the variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;
- the fair value of derivative instruments is calculated using quoted prices or quoted prices from financial instructions for equivalent instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	2012			2011		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
	US$'000	***US$'000***	***US$'000***	*US$'000*	*US$'000*	*US$'000*
Financial assets at FVTPL						
Derivative financial assets						
– foreign currency forward contracts	**–**	**1,942**	**1,942**	–	1,774	1,774
– currency structured forward contracts	**–**	**178**	**178**	–	–	–
– foreign currency forward options	**–**	**321**	**321**	–	–	–
Held-for-trading investments	**109,720**	**–**	**109,720**	–	–	–
Available-for-sale financial assets						
Listed equity securities	**7,655**	**–**	**7,655**	8,882	–	8,882
	117,375	**2,441**	**119,816**	8,882	1,774	10,656
Financial liabilities at FVTPL						
Derivative financial liabilities						
– foreign currency forward contracts	**–**	**–**	**–**	–	879	879
– currency structured forward contracts	**–**	**–**	**–**	–	673	673
	–	**–**	**–**	–	1,552	1,552

There were no transfers between Levels 1 and 2 in both years.

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2012 US$'000	2011 US$'000
Minimum lease payments paid under operating leases during the year	**3,302**	4,517

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

	2012 US$'000	2011 US$'000
Within one year	**2,726**	3,094
In the second to fifth year inclusive	**7,518**	7,990
Over five years	**5,240**	5,103
	15,484	16,187

Operating lease payments represent rentals payable by the Group for its factories, staff quarters and equipment. Lease terms range from one to five years. Operating lease payments also include rental payable by the Group for its leasehold interest in a piece of land with remaining lease term of 9 (2011: 10) years.

The Group as lessor

Property rental income earned from lease of warehouse facility and sublease of leased factories during the year was US$1,253,000 (2011: US$1,253,000). The warehouse facility held have committed tenants for the next 10 (2011: 11) years.

At the end of the reporting period, the Group has contracted with tenants and sublessees for the following future minimum lease payments under non-cancellable operating leases:

	2012 US$'000	2011 US$'000
Within one year	**1,197**	1,183
In the second to fifth year inclusive	**4,946**	4,884
Over five years	**6,538**	7,797
	12,681	13,864

38. CAPITAL COMMITMENTS

	2012 US$'000	2011 US$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	8,583	6

39. PLEDGE OF ASSETS

At the end of the reporting period, the Group has the following assets pledged to banks to secure general banking facilities granted to the Group:

	2012 US$'000	2011 US$'000
Property, plant and equipment	24,483	24,949
Investment properties	9,066	9,326
Inventories	31,345	27,221
Trade and other receivables	65,114	63,740
Pledged bank deposits	8,200	2
	138,208	125,238

40. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% or HK$1,250 effective from June 2012 and HK$1,000 for the period from January 2012 to May 2012 (2011: lower of 5% or HK$1,000) of the relevant payroll costs, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

In accordance with the relevant PRC rules and regulations, the Company's subsidiaries in the PRC are required to establish a defined contribution plan managed by the relevant local government bureau in the PRC and to make contributions calculated according to the rate set by the municipal government for their eligible employees.

The Company's subsidiaries in the U.S. and U.K. have established defined contribution retirement plans for their eligible employees in the U.S. and the U.K. respectively. The assets of the plans are held separately from those of the Group, in funds under the control of trustees.

41. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transaction with related party:

Name of related company	Nature of transaction	2012 US$'000	2011 US$'000
Samson Global Co., Ltd.	Rental paid	**41**	41

The above company is beneficially owned and jointly controlled by Mr. Shan Huei KUO and Ms. Yi-Mei LIU, both are directors and ultimate controlling parties of the Company.

Compensation of key management personnel

The remuneration of members of key management personnel during the year was as follows:

	2012 US$'000	2011 US$'000
Short-term benefits	**2,881**	3,102
Post-employment benefits	**11**	15
Share-based payment expense	**16**	27
	2,908	3,144

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

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2012 US$'000	2011 US$'000
ASSETS		
Available-for-sale investment	7,655	8,882
Investment in a subsidiary	216,746	216,746
Amounts due from subsidiaries	195,033	195,338
Cash and cash equivalents	612	612
	420,046	421,578
LIABILITIES		
Other payables	350	339
Amount due to a subsidiary	11	10
	361	349
	419,685	421,229
CAPITAL AND RESERVES		
Share capital *(Note 31)*	152,180	152,180
Share premium and reserves*	267,505	269,049
	419,685	421,229

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

* Movements in share premium and reserves during the current and prior years are as follows:

	Share premium	Capital redemption reserve	Contributed surplus	Share option reserve	Investment revaluation reserve	Accumulated profits (losses)	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2011	185,620	782	80,186	599	21,159	8,590	296,936
Profit for the year	–	–	–	–	–	9,133	9,133
Loss on change in fair value of available-for-sale investment	–	–	–	–	(28,236)	–	(28,236)
Reclassification adjustment upon impairment loss on available-for-sale investment	–	–	–	–	7,077	–	7,077
Total comprehensive (expenses) income for the year	–	–	–	–	(21,159)	9,133	(12,026)
Recognition of equity-settled share based payments	–	–	–	27	–	–	27
Shares repurchased and cancelled	(232)	230	–	–	–	(230)	(232)
Dividend recognised as distribution	–	–	–	–	–	(15,656)	(15,656)
At 31 December 2011	185,388	1,012	80,186	626	–	1,837	269,049
Profit for the year	–	–	–	–	–	21,973	21,973
Loss on change in fair value of available-for-sale investment	–	–	–	–	(1,227)	–	(1,227)
Reclassification adjustment upon impairment loss on available-for-sale investment	–	–	–	–	1,227	–	1,227
Total comprehensive income for the year	–	–	–	–	–	21,973	21,973
Recognition of equity-settled share based payments	–	–	–	16	–	–	16
Dividend recognised as distribution	–	–	–	–	–	(23,533)	(23,533)
At 31 December 2012	**185,388**	**1,012**	**80,186**	**642**	**–**	**277**	**267,505**

Contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's share issued in exchange thereof pursuant to a group reorganisation.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of company	Place of incorporation/ establishment/ operation	Class of share held	Issued and fully paid share/ registered capital	Proportion of nominal value of share/ registered capital held by the Company Directly 2012 & 2011	Indirectly 2012 & 2011	Principal activities
Craftmaster Furniture, Inc.	The U.S.	Ordinary	US$0.01	–	100%	Manufacturing and sale of furniture
LCDG#	The PRC	Capital contribution	HK$497,340,000	–	100%	Manufacturing and sale of furniture
LCZJ#	The PRC	Capital contribution	US$80,000,000	–	100%	Manufacturing and sale of furniture
Dongguan Huanhau Home Furniture Co., Ltd. ("DHH")##	The PRC	Capital contribution	RMB2,000,000	–	100%	Trading of furniture
Legacy Classic Furniture, Inc.	The U.S.	Ordinary	US$4,450,000	–	100%	Marketing and sale of furniture
Samson International Enterprises Limited	BVI/Taiwan	Ordinary	US$50,000	–	100%	Trading of furniture and procurement services
Samson Investment Holding Co.	The U.S.	Ordinary	US$0.10	–	100%	Investment holding
Universal Furniture International, Inc.	The U.S.	Ordinary	US$0.35	–	100%	Marketing and sale of furniture
Willis Gambier (UK)	The U.K.	Ordinary	£1	–	100%	Trading of furniture
Trendex Furniture Ind. Co., Ltd.	Bangladesh	Ordinary	Bangladesh Talia 400,000	–	100%	Manufacturing and sale of furniture
PT Lacquer Craft Industry Indonesia	Indonesia	Ordinary	Indonesia Rupiah 22,507,500,000	–	100%	Manufacturing and sale of furniture

The above table lists the subsidiaries of the Group which principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

LCDG and LCZJ are wholly foreign owned enterprises.
DHH is a domestic investment entity.

RESULTS

	Year ended 31 December				
	2008	2009	2010	2011	**2012**
	US$'000	*US$'000*	*US$'000*	*US$'000*	***US$'000***
Revenue	466,569	393,360	447,032	423,439	**422,770**
Profit before impairment loss of available-for-sale investment	40,861	41,835	43,288	13,444	**25,043**
Impairment loss on available-for-sale investment	(59,317)	–	–	(7,077)	**(1,227)**
(Loss) profit before taxation	(18,456)	41,835	43,288	6,367	**23,816**
Taxation	(14)	(1,595)	(4,332)	(4,626)	**(4,947)**
(Loss) profit for the year	(18,470)	40,240	38,956	1,741	**18,869**

ASSETS AND LIABILITIES

	As at 31 December				
	2008	2009	2010	2011	**2012**
	US$'000	*US$'000*	*US$'000*	*US$'000*	***US$'000***
Total assets	638,066	637,463	746,401	700,228	**715,921**
Total liabilities	(119,944)	(73,429)	(163,612)	(144,701)	**(161,741)**
Total equity	518,122	564,034	582,789	555,527	**554,180**