



Samson Holding Ltd.  
順誠控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 531.hk)

Interim Report 2012



UNIVERSAL  
FURNITURE

Legacy  
CLASSIC FURNITURE



WILLIS & GAMBIER  
Furniture designed for life

\* for identification purpose only

# Contents

Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Other Information	6
Report on Review of Condensed Consolidated Financial Statements	9
Condensed Consolidated Income Statement	10
Condensed Consolidated Statement of Comprehensive Income	11
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Changes in Equity	13
Condensed Consolidated Statement of Cash Flows	14
Notes to the Condensed Consolidated Financial Statements	15

## 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 the 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, comprising U.S. and U.K. market expertise, combining with the PRC manufacturing know-how, create a globally-integrated products and services logistics platform that brings forth the most effective means of business operations by which we strive to maximise ultimate benefits to our customers and shareholders.

# Corporate Information

## 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

Scotia Centre, 4th Floor  
P.O. Box 2804, George Town  
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:

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 609  
George Town, Grand Cayman, KY1-1107  
Cayman Islands

### Hong Kong Branch:

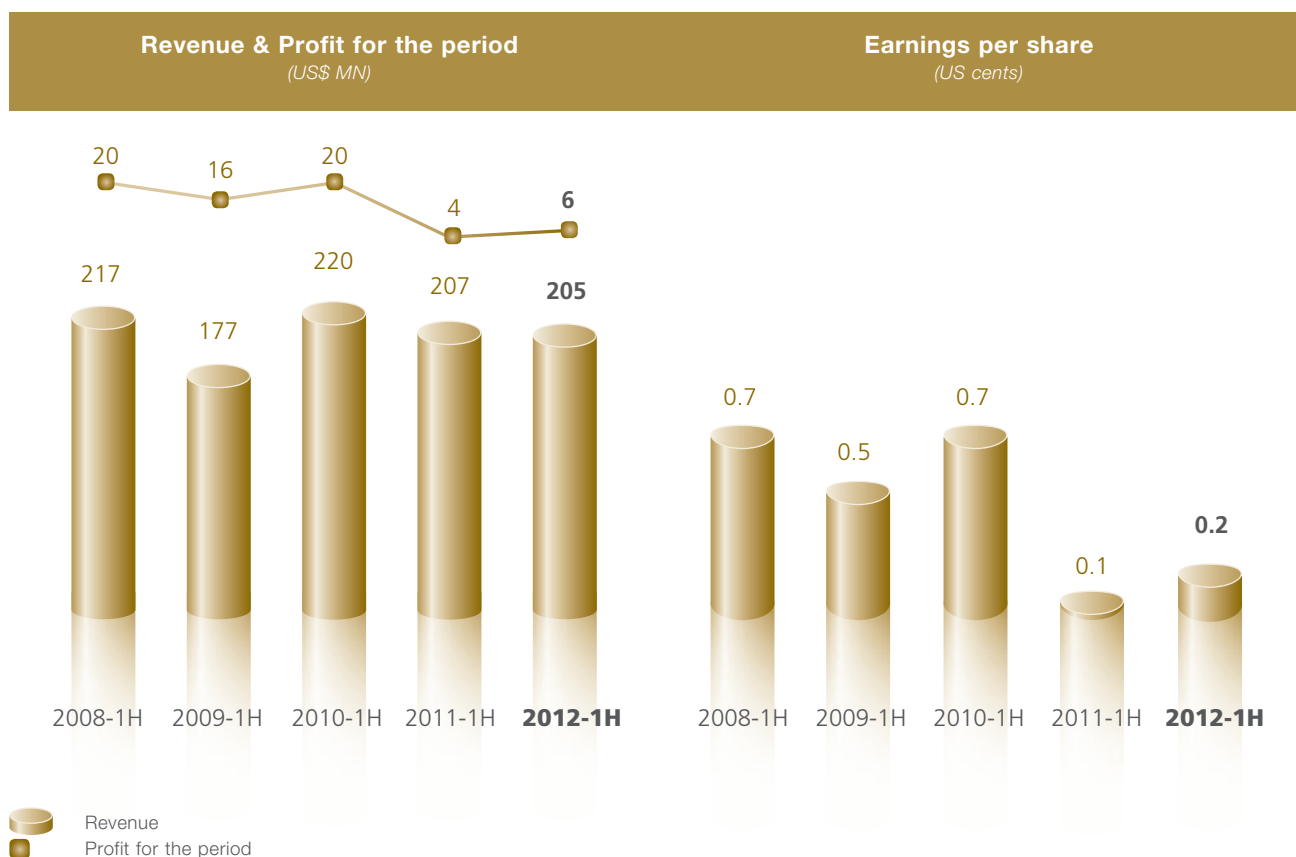
Computershare Hong Kong Investor Services Limited  
Shops 1712-16, 17/F  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## Financial Highlights

	Six months ended 30 June 2012 US\$'000	Six months ended 30 June 2011 US\$'000	Six months ended 30 June 2012 HK\$'000*	Six months ended 30 June 2011 HK\$'000*
<b>Operating results</b>				
Revenue	205,401	206,678	1,602,128	1,612,088
Gross profit	54,755	51,180	427,089	399,204
Earnings before interest and tax	7,682	5,689	59,920	44,374
Profit for the period	5,655	3,506	44,109	27,347
Earnings per share (US/HK cents)	0.2	0.1	1.56	0.78

	As at 30 June 2012 US\$'000	As at 31 December 2011 US\$'000	As at 30 June 2012 HK\$'000*	As at 31 December 2011 HK\$'000*
<b>Financial position</b>				
Total assets	740,752	700,228	5,777,866	5,461,778
Net current assets	370,663	366,141	2,891,171	2,855,900
Shareholders' equity	551,987	555,527	4,305,499	4,333,111

\* Exchange rate: US\$1 = HK\$7.8 (for reference only)





# Management Discussion and Analysis

## Business Review

Despite the increasing cost of labour, the Company made a good progress during the first half of 2012. With no clear signs of economic recovery in the U.S. and the U.K., the Company still made an increase in its branded sales, while the OEM business posted a consecutive decline during the same period year over year. The increase in the branded business was attributed to the better performance of the Company's overall brand portfolio, with exception of the mid-priced segment and the U.K. market. As mentioned during our last results announcement, there have been many challenges, especially the increases in the cost of labour and materials. Nevertheless, our continuous and relentless efforts have brought us an encouraging result for the period with margin improvement and also better profitability.

## Financial Review

Net sales for the six-month period under review was US\$205.4 million compared to US\$206.7 million in the same period last year, a decrease of US\$1.3 million or 0.6%. 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 due to the poor economies of the U.S. and the U.K. markets, which resulted in a decrease of US\$1.3 million in the net sales.

Gross profit margin for the period increased to 26.7% from 24.8% for the same period in 2011, mainly due to the increased selling price and the cost reduction measure implemented.

Total operating expenses for the period slightly increased to US\$50.3 million from US\$50.0 million for the same period in 2011. The increase was primarily attributable to the mass disbursement of severance payment in factory.

Profit for the period increased to US\$5.7 million from US\$3.5 million for the same period in 2011. Net profit margin increased to 2.8% from 1.7% for the same period in 2011. The growth in profit was mainly due to the increase in selling price and reduction in cost.

## Liquidity, Financial Resources and Capital Structure

As at 30 June 2012, the Group's bank balances and cash increased by US\$24.2 million to US\$339.4 million from US\$315.2 million as at 31 December 2011. Bank borrowings increased from US\$80.1 million as at 31 December 2011 to US\$127.1 million as at 30 June 2012. The gearing ratio (total bank borrowings/shareholders' equity) increased from 14.4% as at 31 December 2011 to 23.0% as at 30 June 2012. The Group's cash position remains strong and the Group possesses sufficient cash and available banking facilities to meet working capital requirements and further enable us to expand through acquisitions with confidence.

Bank balances and cash held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling and Hong Kong dollars. As at 30 June 2012, US\$127.1 million (31 December 2011: US\$80.1 million) of the short-term bank borrowings carry either variable-rate interest at a premium over LIBOR, Singapore Interbank Offered Rate or Tokyo Financial Exchange Rate. All bank borrowings were denominated in U.S. dollars and were repayable within one year.

Our sources of liquidity include bank balances and cash, cash from operations and general banking facilities granted to the Group. The Group intends to maintain strong and prudent liquidity for day-to-day operations and business development.

## Management Discussion and Analysis (cont'd)

As substantially all of our revenue and most of our 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 minimise 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 30 June 2012, outstanding forward exchange contracts amounted to US\$816.4 million (31 December 2011: US\$490.0 million).

The Group's current assets increased to US\$556.2 million from US\$507.8 million as at 31 December 2011 and the Group's current liabilities increased by 31% to US\$185.5 million compared with US\$141.6 million as at 31 December 2011. The current ratio (current assets/current liabilities) therefore decreased to 3.0 times from 3.6 times as at 31 December 2011.

### Pledge of Assets

As at 30 June 2012, the Group's inventories of US\$28.8 million (31 December 2011: US\$27.2 million), trade and other receivables of US\$64.4 million (31 December 2011: US\$63.7 million), property, plant and equipment of approximately US\$25.1 million (31 December 2011: US\$24.9 million), investment properties of approximately US\$9.2 million (31 December 2011: US\$9.3 million) and pledged bank deposits of approximately US\$0.6 million (31 December 2011: US\$0.002 million) had been pledged to banks to secure the general banking facilities granted to the Group.

### Capital Expenditure

Capital expenditure for the six months ended 30 June 2012 amounted to US\$2.0 million compared to US\$2.4 million for the same period in 2011. Capital expenditure was mainly the addition of IT equipment in the U.S. and the renovation of plant and machinery in the P.R.C.

### Outlook

Although the results during the first half of 2012 are encouraging, yet the economic conditions have not been improved. With no clear sign of economic recovery in the U.S.A. and the U.K., we remain very cautious about the business condition going forward. While we continue improving our product quality and service level through our unique business model, we will also continue dedicating ourselves in businesses development, margin enhancement through product design and re-engineering as well as cost control in all aspects.

### Employees and Emolument Policy

As at 30 June 2012, the Group employed approximately 9,100 (30 June 2011: 9,100) 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 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 (the "Board") upon the recommendation of the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## Other Information

### Dividend

The Board has resolved the payment of an interim dividend of HK\$0.04 per share for the six months ended 30 June 2012 (30 June 2011: HK\$0.02), amounting to approximately HK\$121.7 million (30 June 2011: HK\$61.0 million), to the shareholders of the Company whose names appear on the Company's register of members on 10 September 2012. The interim dividend will be paid on 21 September 2012.

### Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 7 September 2012 to Monday, 10 September 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 September 2012.

### Corporate Governance

The Board is committed to maintaining the highest standards of corporate governance. The Company confirms that it has complied with all code provisions of the corporate governance code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the six months ended 30 June 2012, save that Mr. Shan Huei KUO is the chairman of the Board and also the chief executive officer of Lacquer Craft Mfg. Co., Ltd. (Dongguan) and Lacquer Craft Mfg. Co., Ltd. (Zhejiang). 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 in the management of the Board and the management of business of the Company.

Besides, in respect of code provision A.6.7, 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.

### 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 six months ended 30 June 2012.

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

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

### Share Option Scheme

The Company adopted a share option scheme on 24 October 2005. Details of movements in the Company's share options during the review period were as below:

	Date of Grant	Exercise Price <i>HK\$</i>	Vesting Date	Exercise Period	Number of share options				
					Outstanding as at 1.1.2012	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30.6.2012
<b>Director:</b>									
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
<b>Other employees:</b>									
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



## Other Information (cont'd)

### Directors' Interests in Shares and Underlying Shares

As at 30 June 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 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 ( <i>Note</i> )	2,146,346,773	70.52%
Ms. Yi-Mei LIU	Held by controlled corporations ( <i>Note</i> )	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 30 June 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 disclosed no person as having a notifiable interest or short position in the shares or underlying shares of the Company as at 30 June 2012.

### Independent and Audit Committee Review

The unaudited interim report for the six months ended 30 June 2012 has been reviewed by Deloitte Touche Tohmatsu, such report is included in this report, and the Company's Audit Committee.



# Report on Review of Condensed Consolidated Financial Statements

## **Deloitte.** **德勤**

**TO THE BOARD OF DIRECTORS OF SAMSON HOLDING LTD.**

*(incorporated in the Cayman Islands with limited liability)*

### **Introduction**

We have reviewed the condensed consolidated financial statements of Samson Holding Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), set out on page 10 to 22, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

### **Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

22 August 2012

# Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 US\$'000 (Unaudited)	2011 US\$'000 (Unaudited)
Revenue	3	205,401	206,678
Cost of sales		(150,646)	(155,498)
Gross profit		54,755	51,180
Other income		3,979	4,072
Other gains and losses		(735)	479
Distribution costs		(10,778)	(11,265)
Sales and marketing expenses		(20,033)	(21,460)
Administrative expenses		(19,506)	(17,317)
Finance costs		(812)	(505)
Profit before taxation	4	6,870	5,184
Taxation	5	(1,215)	(1,678)
Profit for the period		5,655	3,506
Earnings per share, in US cents	7		
– Basic		0.186	0.115
– Diluted		0.186	0.115

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<b>5,655</b>	3,506
Other comprehensive (expense) income for the period:		
Exchange differences arising on translation of foreign operations	<b>(1,435)</b>	5,009
Gain (loss) on changes in fair value of available-for-sale investment	<b>72</b>	(7,222)
	<b>(1,363)</b>	(2,213)
Total comprehensive income for the period	<b>4,292</b>	1,293

# Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	At 30 June 2012 US\$'000 (Unaudited)	At 31 December 2011 US\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	136,220	145,520
Investment properties		9,184	9,326
Lease premium for land – non-current portion		11,555	11,832
Goodwill		11,475	11,475
Other intangible assets		1,669	1,669
Available-for-sale investment	9	8,954	8,882
Deposits paid for purchase of properties		1,481	–
Cash surrender value of life insurance		724	696
Deferred tax assets		3,340	3,075
		<b>184,602</b>	192,475
<b>CURRENT ASSETS</b>			
Inventories		115,888	100,682
Trade and other receivables	10	98,600	88,751
Lease premium for land – current portion		327	331
Derivative financial instruments		889	1,774
Other investment	11	467	1,000
Pledged bank deposits		568	2
Bank balances and cash	12	339,411	315,213
		<b>556,150</b>	507,753
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	51,029	53,994
Tax payable		4,782	5,939
Derivative financial instruments		2,565	1,552
Bank borrowings	14	127,111	80,127
		<b>185,487</b>	141,612
<b>NET CURRENT ASSETS</b>			
		<b>370,663</b>	366,141
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>555,265</b>	558,616
<b>NON-CURRENT LIABILITIES</b>			
Deferred compensation		774	696
Deferred tax liabilities		2,504	2,393
		<b>3,278</b>	3,089
		<b>551,987</b>	555,527
<b>CAPITAL AND RESERVES</b>			
Share capital	15	152,180	152,180
Share premium and reserves		399,807	403,347
		<b>551,987</b>	555,527



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Share option reserve US\$'000	Merger reserve US\$'000	Statutory reserve US\$'000	Exchange reserve US\$'000	Investment revaluation reserves US\$'000	Accumulated profits US\$'000	Total US\$'000
At 1 January 2011 (audited)	152,410	185,620	782	599	1,581	1,174	41,427	21,159	178,037	582,789
Profit for the period	-	-	-	-	-	-	-	-	3,506	3,506
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	5,009	-	-	5,009
Loss on changes in fair value of available-for-sale investment	-	-	-	-	-	-	-	(7,222)	-	(7,222)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	5,009	(7,222)	3,506	1,293
Recognition of equity-settled share based payments	-	-	-	14	-	-	-	-	-	14
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(7,840)	(7,840)
At 30 June 2011 (unaudited)	152,410	185,620	782	613	1,581	1,174	46,436	13,937	173,703	576,256
Loss for the period	-	-	-	-	-	-	-	-	(1,765)	(1,765)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	3,238	-	-	3,238
Loss on changes in fair value of available-for-sale investment	-	-	-	-	-	-	-	(21,014)	-	(21,014)
Reclassification adjustment upon impairment of available-for-sale investment	-	-	-	-	-	-	-	7,077	-	7,077
Total comprehensive income (expense) for the period	-	-	-	-	-	-	3,238	(13,937)	(1,765)	(12,464)
Recognition of equity-settled share based payments	-	-	-	13	-	-	-	-	-	13
Share repurchased and cancelled	(230)	(232)	230	-	-	-	-	-	(230)	(462)
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(7,816)	(7,816)
At 31 December 2011(audited)	152,180	185,388	1,012	626	1,581	1,174	49,674	-	163,892	555,527
Profit for the period	-	-	-	-	-	-	-	-	5,655	5,655
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(1,435)	-	-	(1,435)
Gain on changes in fair value of available-for-sale investment	-	-	-	-	-	-	-	72	-	72
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(1,435)	72	5,655	4,292
Recognition of equity-settled share based payments	-	-	-	8	-	-	-	-	-	8
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(7,840)	(7,840)
At 30 June 2012 (unaudited)	152,180	185,388	1,012	634	1,581	1,174	48,239	72	161,707	551,987

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	<b>(12,953)</b>	19,226
Placement of bank deposits	<b>(121,305)</b>	(116,017)
Purchase of property, plant and equipment	<b>(1,973)</b>	(2,367)
Deposit for purchase of properties	<b>(1,481)</b>	–
Purchase of other investment	<b>(473)</b>	–
Proceeds from release of bank deposits	<b>36,045</b>	164,890
Proceeds on redemption of other investments	<b>1,000</b>	25,000
Payment for lease premium for land	–	(1,076)
Decrease in restricted bank deposits	–	410
Other investing cash flows	<b>1,999</b>	1,912
Net cash (used in) from investing activities	<b>(86,188)</b>	72,752
New bank borrowings raised	<b>92,779</b>	17,849
Repayment of bank borrowings	<b>(45,681)</b>	(22,238)
Dividend paid	<b>(7,840)</b>	(7,840)
Interest Paid	<b>(812)</b>	(505)
Net cash from (used in) financing activities	<b>38,446</b>	(12,734)
Net (decrease) increase in cash and cash equivalents	<b>(60,695)</b>	79,244
Cash and cash equivalents at 1 January	<b>279,168</b>	58,000
Effect of foreign exchange rate changes	<b>(367)</b>	779
Cash and cash equivalents at 30 June	<b>218,106</b>	138,023
Represented by:		
Bank balances and cash	<b>217,024</b>	137,457
Deposits placed in financial institutions	<b>1,082</b>	566
	<b>218,106</b>	138,023

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

## 1. Basis of Preparation of the Condensed Consolidated Financial Statements

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 2. Principal Accounting Policies

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

Excepted as described below, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

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

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

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

The Group has not early applied new or revised HKFRSs that have been issued but are not yet effective. The following amendments to HKFRSs have been issued after the date the consolidated financial statements for the year ended 31 December 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>1</sup>
Amendments to HKFRS 1	Government Loans <sup>1</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of those new or revised HKFRSs that have been issued but are not yet effective will have no material impact on the results and the financial position of the Group.

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2012

## 3. Segmental Information

For the purposes of resources allocation and performance assessment, the Group's executive directors review the 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\$23,944,000 (six months ended 30.6.2011: US\$18,455,000) represents the profit before taxation earned by the single reportable segment excluding administrative expenses, e.g. directors' salaries, other income, other gains and losses and finance costs.

## 4. Profit Before Taxation

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
Profit before taxation has been arrived at after charging:		
Allowance for inventories	162	–
Depreciation of property, plant and equipment	8,300	8,385
Depreciation of investment properties	142	142
Impairment loss on trade receivables	352	577
Loss on fair value changes on derivative financial instruments	1,898	–
Loss on fair value change on other investment	3	–
Loss on disposal of property, plant and equipment	128	70
Release of lease premium for land	139	135
and after crediting:		
Interest income	2,391	1,971
Gain on fair value changes on derivative financial instruments	–	385
Reversal of allowance for inventories*	–	361

\* The reversal of allowance for inventories was due to the sale of slow-moving finished goods for which allowance had previously been fully provided.

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2012

## 5. Taxation

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
Tax charge (credit) comprises:		
Current tax		
The United States of America (the "U.S.") – income tax		
Current period	1,608	60
(Reversal) recognition of estimated provision in respect of prior years	(237)	1,402
	1,371	1,462
Deferred tax	(156)	216
	1,215	1,678

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 (the "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 January 2012, the subsidiaries submitted a response to the IRS's rebuttal to their formal protest.

During the year ended 31 December 2011, an aggregate provision of US\$2,234,000 (six months ended 30.6.2011: US\$1,402,000) was recognised in profit or loss in respect of the estimated potential tax liability for the U.S. subsidiaries' federal income tax for the years 2008 to 2010.

During the period, the U.S. subsidiaries reassessed the potential tax liability to be US\$1,997,000 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.

In addition, in May 2012, the IRS notified the subsidiaries of an examination of its 2010 federal income tax returns. This IRS examination is in the initial stage. As at the date of this report, the ultimate outcome of the tax issue in respect of the 2010 federal income tax returns remained undetermined.

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



# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2012

## 6. Dividend

During the six months ended 30 June 2012, a final dividend of HK\$0.02 per share, amounting to approximately HK\$60,872,000 in aggregate (equivalent to approximately US\$7,840,000 in aggregate), for the year ended 31 December 2011 was paid to the shareholders of the Company.

During the six months ended 30 June 2011, a final dividend of HK\$0.02 per share, amounting to approximately HK\$60,964,000 in aggregate (equivalent to approximately US\$7,840,000 in aggregate), for the year ended 31 December 2010 was paid to the shareholders of the Company.

The Board has resolved that an interim dividend of HK\$0.04 (six months ended 30.6.2011: HK\$0.02) per share amounting to approximately HK\$121,744,000 in aggregate, equivalent to approximately US\$15,608,000 in aggregate for the six months ended 30 June 2012 (six months ended 30.6.2011: approximately HK\$60,964,000 in aggregate, equivalent to approximately US\$7,816,000 in aggregate) be paid to the shareholders of the Company whose names appeared on the register of members on 10 September 2012.

## 7. Earnings Per Share

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Profit for the period and earnings for the purpose of basic and diluted earnings per share	<b>5,655</b>	3,506
	<b>Number of shares</b>	Number of shares
Weighted average number of shares for the purpose of basic earnings per share	<b>3,043,609,773</b>	3,048,219,773
Effect of dilutive potential ordinary shares:		
Share options	<b>696,123</b>	3,392,256
Weighted average number of shares for the purpose of diluted earnings per share	<b>3,044,305,896</b>	3,051,612,029

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2012

## 8. Movements in Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of US\$1,973,000 to cope with business expansion. In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of US\$302,000 for cash proceeds of US\$174,000, resulting in a loss on disposal of US\$128,000.

In addition, the construction of certain production lines of a subsidiary in the PRC was completed and construction in progress of US\$1,969,000, US\$254,000 and US\$282,000 were transferred to buildings, plant and machinery, and furniture, fixture and equipment respectively during the period. An aggregate amount of US\$1,680,000 which was previously recognised as construction in progress was determined to be overprovided. Such amount was offset with the related construction payables which were included in trade and other payables in the current period.

## 9. Available-for-sale Investment

As at 30 June 2012, the Group held the investment in equity securities which represented 12.8% (31.12.2011: 13.0%) equity interests in a company listed in the New York Stock Exchange.

## 10. Trade and Other Receivables

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

The following is an analysis of trade receivables, net of allowance for doubtful debts, by age, presented based on the invoice date:

	<b>30 June 2012 US\$'000</b>	31 December 2011 US\$'000
Trade receivables:		
0 – 30 days	<b>48,994</b>	41,252
31 – 60 days	<b>22,445</b>	23,283
Over 60 days	<b>12,253</b>	11,150
	<b>83,692</b>	75,685
Other receivables and prepayments	<b>14,908</b>	13,066
	<b>98,600</b>	88,751

## 11. Other Investment

As at 30 June 2012, the amount of US\$467,000 represented an investment in a bond carrying fixed coupon rate at 2.9% per annum with maturity date of 12 November 2013. The bond is traded on the Berlin Stock Exchange and Frankfurt Stock Exchange.

As at 31 December 2011, the 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. The amount was fully settled on maturity in April 2012.

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2012

## 12. Bank Balances and Cash

Included in bank balances and cash is cash and cash equivalents with an original maturity of three months or less of US\$218,106,000 (31.12.2011: US\$279,168,000), of which US\$217,024,000 (31.12.2011: US\$278,570,000) and US\$1,082,000 (31.12.2011: US\$598,000) are deposits placed in banks and financial institutions, respectively. The remaining balance represents deposits placed in banks of US\$121,305,000 (31.12.2011: US\$36,045,000) with an original maturity more than three months up to twelve months.

Cash and cash equivalents as at 1 January 2011 and 30 June 2011 in the condensed consolidated statement of cash flows for the six months ended 30 June 2011 amounting to US\$290,941,000 and US\$322,091,000 have been restated to US\$58,000,000 and US\$138,023,000, respectively, in the current period as bank deposits with an original maturity of more than three months and up to twelve months of US\$232,941,000 and US\$184,068,000 as at 1 January 2011 and 30 June 2011, respectively, previously included in cash and cash equivalents have been reclassified and are presented in cash flows under investing activities in the condensed consolidated statement of cash flows for the six months ended 30 June 2011.

## 13. Trade and Other Payables

The following is an analysis of trade payables by age, presented based on the invoice date:

	<b>30 June 2012 US\$'000</b>	31 December 2011 US\$'000
Trade payables:		
0 – 30 days	<b>14,116</b>	18,501
31 – 60 days	<b>6,337</b>	3,796
Over 60 days	<b>3,716</b>	3,737
	<b>24,169</b>	26,034
Other payables and accruals	<b>26,860</b>	27,960
	<b>51,029</b>	53,994

## 14. Bank Borrowings

During the period, the Group obtained new bank borrowings amounting to US\$92,779,000 (six months ended 30.6.2011: US\$17,849,000). The borrowings are repayable within one year and carry either variable-rate interests at a premium over LIBOR, Singapore Interbank Offered Rate or Tokyo Financial Exchange Rate. The proceeds were used for general working capital purposes.

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2012

## 15. Share Capital

	Number of shares	Nominal value US\$'000
Ordinary Shares of US\$0.05 each		
Authorised:		
At 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012	6,000,000,000	300,000
Issued and fully paid:		
At 1 January 2011 and 30 June 2011	3,048,219,773	152,410
Share repurchased and cancelled	(4,610,000)	(230)
At 31 December 2011 and 30 June 2012	3,043,609,773	152,180

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the current and corresponding periods.

## 16. Capital Commitments

	30 June 2012 US\$'000	31 December 2011 US\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	8,552	6

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2012

## 17. Related Party Transactions

During the period, the Group had the following transactions with a related party:

Name of related company	Nature of transaction	Six months ended 30 June	
		2012	2011
		US\$'000	US\$'000
Samson Global Co., Ltd.	Rental charged to the Group	20	20

The above related company is beneficially owned and jointly controlled by Mr. Shan Hwei 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 period was as follows:

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
Short-term benefits	1,016	1,022

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