Samson Holding

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 2013

* for identification purpose only

Lacquer Craft UNIVERSAL FURNITURE Legacy CLASSIC FURNITURE CRAFTMASTER FURNITURE pennsylvania house WILLIS & GAMBIER Furniture designed for life

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, comprising the U.S. and the 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

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

Ernst & Young

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

Financial Highlights

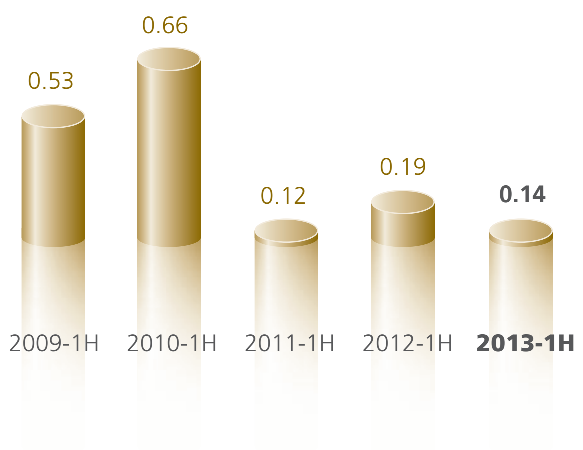
	Six months ended 30 June 2013 *US$'000*	Six months ended 30 June 2012 *US$'000*	**Six months ended 30 June 2013 *HK$'000****	Six months ended 30 June 2012 *HK$'000**
Operating results				
Revenue	**201,941**	205,401	**1,575,140**	1,602,128
Gross profit	**52,492**	54,755	**409,438**	427,089
Earnings before interest and tax	**6,962**	7,682	**54,304**	59,920
Profit for the period	**4,223**	5,655	**32,939**	44,109
Earnings per share *(US/HK cents)*	**0.14**	0.19	**1.09**	1.48

	As at 30 June 2013 *US$'000*	As at 31 December 2012 *US$'000*	**As at 30 June 2013 *HK$'000****	As at 31 December 2012 *HK$'000**
Financial position				
Total assets	**740,908**	715,921	**5,779,082**	5,584,184
Net current assets	**363,868**	379,681	**2,838,170**	2,961,512
Shareholders' equity	**529,514**	554,180	**4,130,209**	4,322,604

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

Revenue & Profit for the period
(US$ MN)

Earnings per share
(US cents)



Management Discussion and Analysis

Business Review

We ended the first half of 2013 with steady progress by all of our operating units, new product introduction, improving existing product lines and expanding customer base. Despite the disappointing performance in our OEM business and a slower than expected recovery in the U.K., our branded division, which was led by our higher-priced segment, continued to make significant progress in the first half of 2013 by successfully launching several new collections early in the year. Initial orders from the customers were very encouraging and we are seeing strong re-orders from these new collections. At the same time, our custom upholstery division achieved a solid operating performance with significant revenue growth in the first half of the year. This was attributable to the success of our new product line and new custom collection with quick delivery program. Moreover, we completed our latest expansion of our upholstery plant in North Carolina, giving us additional production and warehousing capacities to support future growth. While our mid-priced segment started off the year slowly, the April High Point Market was one of the best markets the division has had in many years with all major introductions making the cut and strong orders for them coming in. These introductions will help build the business in the second half and provide a strong platform for 2014.

Hospitality division posted tremendous growth during the first half of 2013 as we continue to develop in-depth involvements with major hotel groups worldwide. The business outlook of our hospitality division remains strong for the remainder of 2013. The lodging industry worldwide continues to strengthen and the division expects terrific growth opportunities in coming years as we work to establish ourselves as an international leader in hospitality furnishings. Overall, excluding the one-time and non-cash impairment loss, net profit from our core business grew by double-digits during the first half of 2013.

Financial Review

Net sales for the six-month period under review was US$201.9 million compared to US$205.4 million in the same period last year, a decrease of US$3.5 million or 1.7%. We have strengthened the design and product offerings for our Universal Group and further expanded our sales in Hospitality division and China market successfully. Nevertheless, the turnover was overshadowed by the lower sales of our OEM business and the U.K. division, which resulted in a decrease of US$3.5 million in the net sales.

Gross profit margin for the period decreased to 26.0% from 26.7% for the same period in 2012, mainly due to increase of production costs resulted from the strong Renminbi and the rising labour rate.

Total operating expenses for the period slightly decreased to US$50.2 million from US$50.3 million for the same period in 2012. The decrease was attributable to our effective control of distribution cost.

Profit for the period decreased to US$4.2 million from US$5.7 million for the same period in 2012. Net profit margin decreased to 2.1% from 2.8% for the same period in 2012. The decline in profit was mainly due to the one-time impairment loss on available-for-sale investment.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2013, the Group's cash and bank balances increased by US$16.0 million to US$115.5 million from US$99.5 million as at 31 December 2012, short-term bank deposits decreased by US$44.4 million to US$59.7 million from US$104.1 million as at 31 December 2012. Bank borrowings increased from US$98.1 million as at 31 December 2012 to US$148.7 million as at 30 June 2013. The gearing ratio (total bank borrowings/shareholders' equity) increased from 17.7% as at 31 December 2012 to 28.1% as at 30 June 2013. 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.

Cash and bank balances held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling and Hong Kong dollars. As at 30 June 2013, short-term borrowings of US$139.7 million (31 December 2012: US$85.0 million) and US$9.0 million (31 December 2012: US$13.1 million) bore interest at floating rates and fixed rates respectively. All bank borrowings were denominated in U.S. dollars and were repayable within one year.

Our sources of liquidity include cash and bank balances, 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 a result of our international operations, we are exposed to foreign exchange risk arising from various currency exposures primarily with respect to Renminbi and U.K. Pound Sterling. Although the majority of our total revenues is denominated in U.S. dollars, a substantial portion of our cost of sales is paid in Renminbi and part of the sales are denominated in U.K. Pound Sterling. The exchange rates of U.K. Pound Sterling and Renminbi to U.S. dollars have fluctuated substantially in recent years and may continue to fluctuate in the future. In order to manage the risks arising from fluctuations in foreign currency exchange rates, we entered into forward foreign currency contracts to help manage currency exposures associated with certain sales and cost of sales. Most of the forward exchange contracts have generally ranged from one to twelve months in maturity whereas all foreign currency exchange contracts are recognized in the balance sheet at fair value. As at 30 June 2013, outstanding forward exchange contracts with notional value amounted to US$365.5 million (31 December 2012: US$618.3 million).

The Group's current assets increased by 6.3% to US$571.3 million from US$537.6 million as at 31 December 2012 and the Group's current liabilities increased by 31.4% to US$207.5 million compared with US$157.9 million as at 31 December 2012. The current ratio (current assets/current liabilities) therefore decreased to 2.8 times from 3.4 times as at 31 December 2012.

Pledge of Assets

As at 30 June 2013, the Group's inventories of US$28.0 million (31 December 2012: US$31.3 million), trade and other receivables of US$62.8 million (31 December 2012: US$65.1 million), property, plant and equipment of approximately US$27.7 million (31 December 2012: US$24.5 million), investment properties of approximately US$8.9 million (31 December 2012: US$9.1 million) and pledged bank deposits of approximately US$10.3 million (31 December 2012: US$8.2 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 2013 amounted to US$4.3 million compared to US$2.0 million for the same period in 2012. The increase in capital expenditure was a result of the acquisition of showroom building and production facility to further expand our operation in the U.S.

Outlook

Looking ahead, we remain positively cautious about our industry and business condition in the second half of 2013. While the demand for wood furniture continues to remain soft relative to other furniture segments, many of our operating units have started the second half year strongly. As we look toward the future, we remain focused on our long-term growth initiatives and strategy. With our strong financial position, efficient production facilities and well-established distribution networks, we remain confident that we are well positioned to gain significant market share and to further expand our business globally.

Employees and Emolument Policy

As at 30 June 2013, the Group employed approximately 8,200 (30 June 2012: 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 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 (the "Board") with the recommendation of the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Dividend

The Board has resolved the payment of an interim dividend of HK$0.06 per share for the six months ended 30 June 2013 (30 June 2012: HK$0.04), amounting to approximately HK$182.6 million (30 June 2012: HK$121.7 million), to the shareholders of the Company whose names appear on the Company's register of members on 5 September 2013. The interim dividend will be paid on 18 September 2013.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 3 September 2013 to Thursday, 5 September 2013, both days inclusive, during which period no transfers 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 Monday, 2 September 2013.

Corporate Governance

The Board is committed to maintaining high standards of corporate governance. The Company confirms that it has complied with all material 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 2013, 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 his management of the Board and the business of the Company.

Besides, in respect of code provision A.6.7, two non-executive directors and an independent non-executive director were not in a position to attend the annual general meeting of the Company held on 15 May 2013 due to other business commitments.

Changes in Director's Biographical Details

Changes in director's biographical details which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules are set out below.

Mr. Ming-Jian KUO, independent non-executive director of the Company, has been appointed as Chief Executive Officer of Zoyi Capital Ltd.

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 2013.

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 HK$	Vesting Date	Exercise Period	Number of share options: Outstanding as at 1.1.2013	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30.6.2013
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

Directors' Interests in Shares and Underlying Shares

As at 30 June 2013, 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 *(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 30 June 2013.

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 2013.

Independent and Audit Committee Review

The unaudited interim report for the six months ended 30 June 2013 has been reviewed by Ernst & Young, such report is included in this report, and the Company's Audit Committee.

Report on Review of Condensed Consolidated Financial Statements

ERNST & YOUNG
安 永

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 set out on page 11 to 24, which comprises the condensed consolidated statement of financial position of Samson Holding Ltd. as of 30 June 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and 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. Our report is made 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.

Ernst & Young
Certified Public Accountants
Hong Kong
19 August 2013

Condensed Consolidated Income Statement

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		US$'000	*US$'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*3*	**201,941**	205,401
Cost of sales		**(149,449)**	(150,646)
Gross profit		**52,492**	54,755
Other income		**5,180**	3,979
Other gains, losses and expenses		**3,049**	(735)
Distribution costs		**(10,040)**	(10,778)
Sales and marketing expenses		**(20,516)**	(20,033)
Administrative expenses		**(19,675)**	(19,506)
Finance costs		**(1,190)**	(812)
		9,300	6,870
Impairment loss on available-for-sale investment		**(3,528)**	–
Profit before taxation	*4*	**5,772**	6,870
Taxation	*5*	**(1,549)**	(1,215)
Profit for the period		**4,223**	5,655
Earnings per share, in US cents	*7*		
– Basic		**0.139**	0.186
– Diluted		**0.139**	0.186

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**4,223**	5,655
Other comprehensive income/(expense):		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**2,476**	(1,435)
Gain/(loss) on changes in fair value of available-for-sale investment	**(3,528)**	72
Reclassification adjustments upon impairment of available-for-sale investment	**3,528**	–
Other comprehensive income/(expense), net of tax	**2,476**	(1,363)
Total comprehensive income for the period	**6,699**	4,292

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	At 30 June 2013 US$'000 (Unaudited)	At 31 December 2012 US$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**128,636**	130,841
Investment properties		**8,948**	9,066
Lease premium for land – non-current portion		**11,482**	11,530
Goodwill		**11,475**	11,475
Other intangible assets		**1,669**	1,669
Available-for-sale investment	9	**–**	7,655
Deposits paid for purchase of properties		**2,936**	1,519
Cash surrender value of life insurance		**972**	871
Deferred tax assets		**3,456**	3,686
Total non-current assets		**169,574**	178,312
CURRENT ASSETS			
Inventories		**114,189**	119,584
Trade and other receivables	10	**89,249**	93,735
Lease premium for land – current portion		**330**	330
Available-for-sale investment	9	**4,127**	–
Held-for-trading investments	11	**176,231**	109,720
Derivative financial instruments		**1,735**	2,441
Pledged bank deposits		**10,314**	8,200
Short-term bank deposits	12	**59,681**	104,078
Cash and bank balances	12	**115,478**	99,521
Total current assets		**571,334**	537,609
CURRENT LIABILITIES			
Trade and other payables	13	**49,921**	53,706
Tax payable		**5,353**	6,080
Derivative financial instruments		**3,469**	–
Bank borrowings	14	**148,723**	98,142
Total current liabilities		**207,466**	157,928
NET CURRENT ASSETS		**363,868**	379,681
TOTAL ASSETS LESS CURRENT LIABILITIES		**533,442**	557,993
NON-CURRENT LIABILITIES			
Deferred compensation		**1,022**	971
Deferred tax liabilities		**2,906**	2,842
Total non-current liabilities		**3,928**	3,813
NET ASSETS		**529,514**	554,180
EQUITY			
Share capital	15	**152,180**	152,180
Share premium and reserves		**377,334**	402,000
Total equity		**529,514**	554,180

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	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	Retained profits US$'000	Total US$'000
At 1 January 2013 (audited)	152,180	185,388	1,012	642	1,581	1,174	52,975	–	159,228	554,180
Profit for the period	–	–	–	–	–	–	–	–	4,223	4,223
Other comprehensive income/(expense) for the period:										
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	2,476	–	–	2,476
Loss on changes in fair value of available-for-sale investment	–	–	–	–	–	–	–	(3,528)	–	(3,528)
Reclassification adjustments upon impairment of available-for-sale investment	–	–	–	–	–	–	–	3,528	–	3,528
Total comprehensive income for the period	–	–	–	–	–	–	2,476	–	4,223	6,699
Recognition of equity-settled share based payments	–	–	–	3	–	–	–	–	–	3
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(31,368)	(31,368)
At 30 June 2013 (unaudited)	152,180	185,388	1,012	645	1,581	1,174	55,451	–	132,083	529,514
At 1 January 2012 (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
Other comprehensive income/(expense) for the period:										
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 income/(expense) 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 2013

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(43,477)**	(12,953)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**43,663**	(86,188)
NET CASH FROM FINANCING ACTIVITIES	**17,825**	38,446
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	**18,011**	(60,695)
Cash and bank balances at beginning of period	**99,521**	279,168
Effect of foreign exchange rate changes, net	**(2,054)**	(367)
CASH AND BANK BALANCES AT END OF PERIOD	**115,478**	218,106
ANALYSIS OF CASH AND BANK BALANCES		
Cash and bank balances	**115,478**	217,024
Deposits placed in financial institutions	**–**	1,082
	115,478	218,106

1. Basis of Preparation

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

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

2. Significant Accounting Policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the first time for the current period's condensed consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* and HKFRS 13 *Fair Value Measurement*, the adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

2. Significant Accounting Policies (cont'd)

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 1 Amendments: Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

(b) HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by HKAS 34.16A(j), thereby affecting the condensed consolidated financial statements period. The Group provides these disclosures in Note 17.

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$21,936,000 (six months ended 30 June 2012: US$23,944,000) represents the profit before taxation earned by the single reportable segment excluding administrative expenses, e.g., directors' salaries, other income, other gains, losses and expenses and finance costs.

4. Profit Before Taxation

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
The Group's profit before taxation is arrived at after charging/(crediting):		
Allowance for inventories	**398**	162
Depreciation of property, plant and equipment	**7,582**	8,300
Depreciation of investment properties	**118**	142
Impairment of trade receivables	**264**	352
Impairment of available-for-sale investment	**3,528**	–
Fair value loss on derivative financial instruments	**4,201**	1,898
Fair value loss on other investment	**–**	3
Fair value loss on held-for-trading investments	**3,530**	–
Loss on disposal of property, plant and equipment	**39**	128
Amortisation of land lease payments	**166**	139
Interest income	**(6,770)**	(2,391)

5. Taxation

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Tax charge comprises:		
Current tax		
The United States of America (the "U.S.") – income tax		
Current period	**1,257**	1,608
Overprovision in respect of prior periods	**–**	(237)
	1,257	1,371
Deferred tax	**292**	(156)
Total tax charge for the period	**1,549**	1,215

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..

5. Taxation (cont'd)

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 prior period.

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

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

6. Dividend

During the six months ended 30 June 2013, a final dividend of HK$0.08 per share, amounting to approximately HK$243,489,000 in aggregate (equivalent to approximately US$31,368,000 in aggregate), for the year ended 31 December 2012 was paid to the shareholders of the Company.

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.

The Board has resolved that an interim dividend of HK$0.06 (six months ended 30 June 2012: HK$0.04) per share amounting to approximately HK$182,617,000 in aggregate, equivalent to approximately US$23,412,000 in aggregate for the six months ended 30 June 2013 (six months ended 30 June 2012: approximately HK$121,744,000 in aggregate, equivalent to approximately US$15,608,000 in aggregate) be paid to the shareholders of the Company whose names appeared on the register of members on 5 September 2013.

7. Earnings Per Share

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

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period and earnings for the purpose of basic and diluted earnings per share	**4,223**	5,655

	Number of shares	Number of shares
Weighted average number of shares for the purpose of basic earnings per share	**3,043,609,773**	3,043,609,773
Effect of dilutive potential ordinary shares:		
Share options	**2,814,173**	696,123
Weighted average number of shares for the purpose of diluted earnings per share	**3,046,423,946**	3,044,305,896

8. Movements in Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of US$4,326,000 to cope with business expansion. In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of US$355,000 for cash proceeds of US$316,000, resulting in a loss on disposal of US$39,000.

9. Available-for-sale Investment

At 30 June 2013, the Group held the investment in equity securities which represented 12.8% (31 December 2012: 12.8%) equity interests in a company listed on the New York Stock Exchange.

An impairment loss of US$3,528,000 (six months ended 30 June 2012: Nil) was recognised on the above equity investment due to decline in market value during the period.

Subsequent to the reporting period, the Group has disposed of certain available-for-sale investment. Details of the significant events of the Group after the reporting period are set out in note 19 to the condensed consolidated financial statements.

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:

	30 June 2013	31 December 2012
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade receivables:		
0 – 30 days	**41,118**	43,866
31 – 60 days	**19,694**	21,464
Over 60 days	**12,232**	13,939
	73,044	79,269
Other receivables and prepayments	**16,205**	14,466
	89,249	93,735

11. Held-for-trading Investments

	30 June 2013	31 December 2012
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Debt securities, at fair value:		
Listed in the U.S. with fixed interest of 1.4% to 6.25% and maturity from August 2013 to September 2020	**45,467**	38,890
Listed in Hong Kong with fixed interest of 1.4% to 6.25% and maturity from December 2014 to May 2023	**58,041**	24,687
Listed in Singapore with fixed interest of 1.1% to 7.625% and maturity from March 2014 to November 2023	**29,292**	22,724
Listed in United Kingdom with fixed interest of 3.2% to 10.18% and maturity from November 2015 to February 2023	**19,566**	9,560
Listed in other jurisdictions with fixed interest of 1.8% to 5.252% and maturity from November 2013 to May 2022	**23,865**	13,859
	176,231	109,720

12. Short-term Bank Deposits/Cash and Bank Balances

Included in cash and bank balances is cash and cash equivalents with an original maturity of three months or less of US$115,478,000 (31 December 2012: US$99,521,000).

Included in short-term bank deposits is deposits placed in banks of US$59,681,000 (31 December 2012: US$104,078,000) with an original maturity more than three months and up to twelve months.

13. Trade and Other Payables

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

	30 June 2013	31 December 2012
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade payables:		
0 – 30 days	**13,676**	18,300
31 – 60 days	**5,317**	4,561
Over 60 days	**2,757**	1,777
	21,750	24,638
Other payables and accruals	**28,171**	29,068
	49,921	53,706

14. Bank Borrowings

During the period, the Group obtained new bank borrowings amounting to US$76,556,000 (six months ended 30 June 2012: US$92,779,000). The major bank borrowings are repayable within one year and carry either variable-rate interests at a premium over LIBOR, Singapore Interbank Offered Rate of fixed rate ranged from 0.61% to 1.3%. The proceeds were used for general working capital purposes.

15. Share Capital

	Number of shares	**Nominal value**
		US$'000
Ordinary Shares of US$0.05 each		
Authorised:		
At 1 January 2012, 30 June 2012, 31 December 2012 and 30 June 2013	6,000,000,000	300,000
Issued and fully paid:		
At 31 December 2012 and 30 June 2013	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 2013 *US$'000* (Unaudited)	31 December 2012 *US$'000* (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**6,834**	8,583

17. Financial Instruments

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

Fair Value Hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

As at 30 June 2013

Financial assets measured at fair value:

	Level 1 *US$'000*	**Level 2** *US$'000*	**Total** *US$'000*
Available-for-sale investment	4,127	–	4,127
Derivative financial instruments	–	1,735	1,735
Held-for-trading investments	176,231	–	176,231
	180,358	1,735	182,093

Financial liabilities measured at fair value:

	Level 1 *US$'000*	**Level 2** *US$'000*	**Total** *US$'000*
Derivative financial instruments	–	3,469	3,469

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

Valuation techniques

The derivative financial instruments categorised within Level 2 are measured using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

18. Related Party Transactions

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

		Six months ended 30 June	
Name of related company	**Nature of transaction**	**2013**	2012
		US$'000	*US$'000*
		(Unaudited)	(Unaudited)
Samson Global Co., Ltd.	Rental charged to the Group	**20**	20

The above related 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 period was as follows:

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**998**	1,016

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.

19. Events After The Reporting Period

Subsequent to the reporting period, the Group has disposed of certain available-for-sale investment for cash proceeds of US$715,000 in aggregate during the period from 17 July 2013 to 5 August 2013, resulting in a loss of US$355,000.

20. Approval of the Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 19 August 2013.