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
2013

Lacquer Craft UNIVERSAL FURNITURE Legacy CLASSIC FURNITURE

CRAFTMASTER FURNITURE pennsylvania house WILLIS & GAMBIER lc kids legacy classic

* for identification purpose only

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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 Paula Deen in the U.S. Since October 2008, with the acquisition of a U.K. premium casegoods importer and wholesaler under the brand name "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 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
Mr. Kevin Michael O'CONNOR

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 54, Hopewell Centre
183 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

BNP Paribas
BSI LDT,HK
CTCB Bank
Citibank Taiwan 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

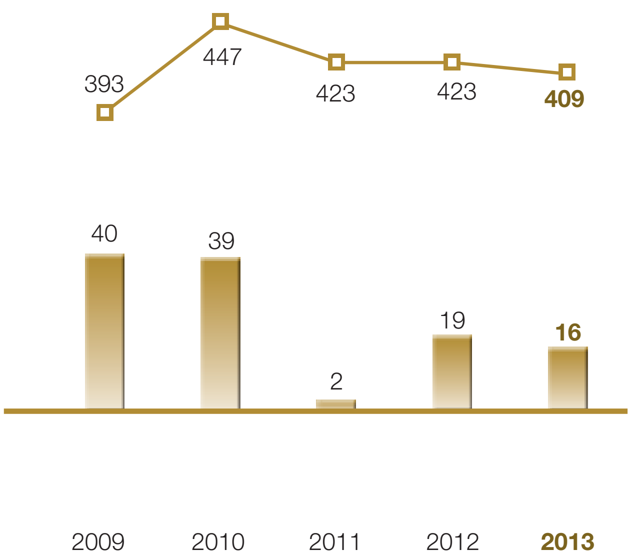
	2013 **US$'000**	2012 *US$'000*	**2013** **HK$'000***	2012 *HK$'000**
Operating results				
Revenue	**408,846**	422,770	**3,188,999**	3,297,606
Earnings before interest and tax	**22,643**	25,459	**176,615**	198,580
Profit for the year	**15,919**	18,869	**124,168**	147,178
Earnings per share *(US/HK cents)*	**0.5**	0.6	**3.90**	4.68
Financial position				
Total assets	**685,222**	715,921	**5,344,732**	5,584,184
Net current assets	**358,362**	379,681	**2,795,224**	2,961,512
Shareholders' equity	**521,022**	554,180	**4,063,972**	4,322,604
Return on equity** (%)	**2.96%**	3.40%	**2.96%**	3.40%

* exchange rate: US$1 to HK$7.8 (for reference only)

** profit for the year/average shareholders' equity

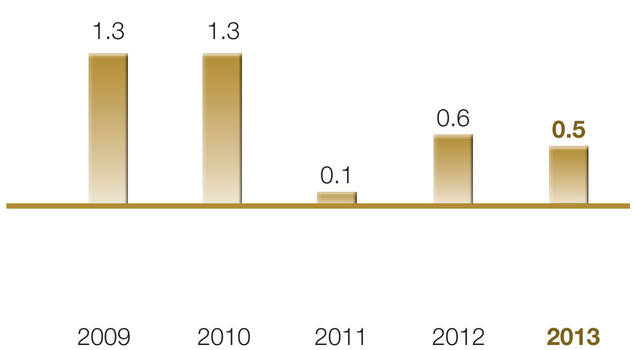
Revenue & Profit for the year

(US$ MN)



Earnings per share

(US cents)



Revenue

Profit 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 2013.

RESULTS

Our turnover was US$408.8 million in 2013, a 3.3% decrease over the year of 2012. Gross profit margin was recorded at 25.4%, decreased from 25.6% in 2012, with a gross profit of US$104.0 million as compared to US$108.2 million in 2012; and profit for the year of the Group was US$15.9 million, compared to a profit of US$18.9 million in 2012.

BUSINESS DEVELOPMENT AND OUTLOOK

2013 marked the first major step of our transformation plan. Back in 2007, we recognized the rapidly changing manufacturing environment in mainland China, including labour shortage, wage inflation, material price increase and tightening of environmental requirements. We realized we would need to make significant changes in order to stay competitive over the long term. Many important steps which we took in 2013 set the foundation for our transformation journey, including production standardization and automation. Our goal is simple and clear "reduce cost and improve efficiency". We are delighted that we have made steady progress in this regard.

Despite the current results and challenging environment, our financial foundation remains strong. We maintained a solid net cash position and consistent cash flow, while continue to deliver profitability. We have now begun to see signs of recovery in the U.S. economy and housing market. We remain positively cautious about our industry, particularity in the casegoods segment. However, we do believe that the casegood segment as a whole will be poised to benefit from the continuous improvement in the housing sector. As we look forward into 2014 and beyond, it is clear that we have further to go on this transformation journey. We will remain focus 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. Focus on strengthening our market presence and brand awareness

Over the last decade, we have transformed ourselves from a single manufacturing company to a growing brand-led business. We have built a strong brand portfolio with a goal to better serving our wide and diverse range of customers. Today, our brands – Universal, Smartstuff by Universal, Paula Deen Home, Legacy Classic, Legacy Classic Kids, Inspirations by Wendy Bellissimo, Craftmaster, LacquerCraft Hospitality and, Willis and Gambier – each has a clear brand identity continue to grow stronger every year. We remain focus on improving our products design and quality to address the changing needs of our customers. On the adult side of our business, we successfully launched the "River House" collection, our 3rd Paul Deen Home Lines in early 2013. The early introduction allowed us to increase speed to market which is critical in this changing marketplace. Our youth product line also made considerable progress in improving its design. Legacy Classic Kids launched the new licencing brand "Inspirations by Wendy Bellissimo," during the October furniture market to further strengthen the function and style of our product line.

We are committed to invest behind our brands. During 2013, we completed a purchase of a new showroom building in High Point, N.C. The 115,000-square-foot newly acquired showroom will allow us to support the continued growth of our branded business. In mid-2013, we announced the acquisition of our new upholstery factory in Taylorsville, N.C., a major step to drive further growth in our U.S. domestic upholstery division. This acquisition will allow us to increase our production and warehouse storage capacity to handle increased demand in all of our programs and product lines. More importantly, the expansion will create up to 100 jobs in Alexander County over the next few years as the demand for our upholstery products continue to grow. The investments we made are critical to the future growth of our company.

2. Focus on building Hospitality channels

For the third consecutive year, our LacquerCraft Hospitality brand delivered significant sales growth and market share gain. More importantly, we further strengthened our connections with leading hotel brands worldwide. We see tremendous opportunities ahead as the number of hotel construction and refurbishment project continues to pick up.

3. Focus on improving and diversifying original equipment manufacturing ("OEM") business

During the year, we saw a major setback in our OEM sales, primarily due to a decline in sales volumes from a key customer in the U.S. Some improvements are expected as we continue to target new customer base and deliver the highest standard of products to meet our customers' needs.

4. Focus on growing the PRC market

We continue to view the mainland China as an important market for future growth. Our strategy to franchise through multi-brand channel is working as we see increasing growth in sales over the past several years. Our branded stores, Universal Furniture and At Home continue to gain tractions and maximize store presence in major cities. In 2013, we spent much of our time and effort working with franchisees to improve on store presentation and quality of customer service; as a result, we further drive store traffic and increase same-store sales.

5. Focus on 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 building value-added products while leveraging our advanced logistics and warehousing capabilities.

6. **Creating shareholders' value through acquisitions**

   With additional excess cash and consistent cash flows, we continue to seek strategic and disciplined acquisitions to further enhance profitable growth. Through our seasoned management team and extensive experiences from the previous project, we expect such acquisitions to create positive business synergies that will benefit our Group going forward.

7. **Shareholders' value and corporate governance**

   As a public company, we are committed to maximize shareholders' value. We 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

I would like 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
24 March 2014

BUSINESS REVIEW

During the year of 2013, we experienced a mixed result from our various divisions. Revenue was adversely impacted by the substantial decline in sales volume from our original equipment manufacturing (OEM) business compared to last year. The lower mid-priced segment of our branded business also saw a decline in sales volume as we continue to overhaul our product line across all of our core categories. This transition, which we expect to complete in 2014, will allow us to introduce fresher and more competitive products to the market. Despite all these challenges, both our upholstery and upper mid-price brands continue to make substantial progress in both sales and profit. During the year, we completed the purchase and renovation of the new upholstery facility in North Carolina to further expand our manufacturing and warehouse capacity for future growth. Hospitality division achieved the third consecutive year of sales growth as we further strengthened our market recognition and presence in the lodging industry. With an improved inventory management, we managed to reduce inventory level at year-end, while maintaining product availability for major collections. With the rising production cost in China to continue, we remain focus on controlling cost by enhancing raw materials usage and a greater investment in automation. Although the year-end results were below our expectation, we remain confident that our vertically integrated business model and financial strength as well as the improving prospects in our industry will position us well for future growth and profitability.

FINANCIAL REVIEW

Net sales for the year was US$408.8 million compared to US$422.8 million in 2012, a decrease of US$14.0 million or 3.3%. The decrease was attributable to the lower sales in OEM business, lower mid-priced brand and U.K. market.

Gross profit decreased 3.9% to US$104.0 million from US$108.2 million in 2012. The gross profit margin decreased to 25.4% from 25.6% in 2012, mainly due to the increase of production costs and lower capacity utilization.

Compared to US$97.6 million in 2012, total operating expenses were recorded at US$97.2 million in 2013. The slight decrease was in-line with the lower sale performance.

The profit for this year decreased to US$15.9 million from US$18.9 million in 2012. Net profit margin decreased to 3.9% from 4.5% 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 31 December 2013, the Group's cash and cash equivalents increased by US$10.4 million to US$109.9 million from US$99.5 million as at 31 December 2012, short term bank deposits decreased by US$71.4 million to US$32.7 million from US$104.1 million as at 31 December 2012. Interest-bearing bank borrowings increased from US$98.1 million as at 31 December 2012 to US$100.1 million as at 31 December 2013. The gearing ratio (total bank borrowings/shareholders' equity) increased to 19.2% as at 31 December 2013 from 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 and 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 2013, interest-bearing bank borrowings of US$100.1 million (2012: US$85.0 million) bore interest at floating rates and no bank borrowing (2012: US$13.1 million) bore interest fixed rate. All bank borrowings were denominated in U.S. dollars and were repayable within one year.

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 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 31 December 2013, outstanding forward exchange contracts with notional value amounted to US$419.6 million (2012: US$618.3 million).

The Group's current assets decreased by 3.6% to US$518.4 million compared to US$537.6 million as at 31 December 2012 and the Group's current liabilities increased by 1.3% to US$160.0 million compared with US$157.9 million as at 31 December 2012. The current ratio (current assets/current liabilities) therefore decreased to 3.2 times from 3.4 times as at 31 December 2012.

PLEDGE OF ASSETS

As at 31 December 2013, the Group's inventories of US$24.5 million (2012: US$31.3 million), trade and other receivables of US$64.0 million (2012: US$65.1 million), property, plant and equipment of approximately US$28.3 million (2012: US$24.5 million), investment properties of approximately US$8.8 million (2012: US$9.1 million) and pledged bank deposits of approximately US$10.9 million (2012: US$8.2 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 2013 amounted to US$6.2 million compared to US$2.5 million 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

Although 2013 was again another challenging year for the casegoods segment in general, looking ahead to 2014, we do believe that the segment as a whole will be poised to benefit from the continuing recovery in the U.S. housing sector, improving unemployment and greater consumer confidence. We will continue to focus on cost control, at the same time, invest in capital expenditure in support of both organic growth and potential acquisitions. Vertically integrated business model has always been our major competitive advantage as we will continue to leverage the power of our industry leading brand while utilizing our state-of-the-art manufacturing facilities to position ourselves for market share gain and global expansion.

DIVIDEND

The Board has recommended the payment of a final dividend for the year ended 31 December 2013 of HK$0.06 per share (2012: HK$0.08 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 9 June 2014 to the shareholders of the Company whose names appear on the Company's register of members as at 29 May 2014.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2013, the Group employed approximately 7,000 (31 December 2012: 8,000) 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 58, 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 28 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. 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 56, 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 28 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 53, 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 28 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 58, 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 44, 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.

Kevin Michael O'CONNOR, aged 68, has been appointed as a Non-executive Director of the Company on 24 March 2014. Mr. O'Connor has been with our Group since March 1999 and was the President and Chief Executive Officer of Universal Furniture International, Inc. from January 2008 to December 2013. He was previously the President and Chief Executive Officer of Legacy Classic Furniture, Inc. from March 1999 to January 2008. 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 44 years of experience in the furniture industry and has been the second Vice President of American Home Furnishings Alliance since November 2013 and an inducted member of American Furniture Hall of Fame since October 2012. He has also been a board member of High Point Chamber of Commerce since January 2011 and a member of High Point Market Authority ("HPMA") since 2006. He was a Chairman of HPMA from October 2007 to October 2012. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ming-Jian KUO, also known as Andrew Kuo, aged 52, 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 the Chief Executive Officer of Zoyi Capital Ltd. He is a Non-executive Director of Far Fast Horizon Limited, a company listed on the Main Board of the Stock Exchange and an Independent Director of Cathay Financial Holding Co., Ltd., a company listed on Taiwan Stock Exchange Corporation. 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 Chairman 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 retired as a member of the Youth Presidents' Organization and became a member of Taiwan Mergers & Acquisitions and Private Equity Council both in December 2013. 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 55, 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. He 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, FIH Mobile Limited (formerly known as Foxconn International Holdings Limited) and TCL Communication Technology Holdings Limited and the Company Secretary of Yeebo (International Holdings) Limited, a company listed in Hong Kong. In the past three years, Mr. Lau was also an Independent Non-Executive Director of Carry Wealth Holdings Limited until 12 July 2011. Mr. Lau graduated from the Hong Kong Polytechnic in 1981.

Sui-Yu WU, also known as SY Wu, aged 55, 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 to 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 has been 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 Michael O'CONNOR, aged 68, 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 44 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 58, 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 44, 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 19 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 58, 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 50, 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 58, 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.

Legacy Classic

Earl R. WANG, aged 50, 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 43, 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 16 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 63, 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 34 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 49, 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 56, 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 39, 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 50, 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 49, 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.

Roy C. BEARDEN, aged 57, is Vice President of Manufacturing of Craftmaster Furniture. Prior to joining Craftmaster Furniture, Mr. Bearden was General Manager of Jackson Furniture Ind. Inc. and also held positions as Plant Manager with England Home Furnishings, Inc. and Levi Strauss & Company. Mr. Bearden has 16 years of experience in the furniture industry. Mr. Bearden was awarded a Bachelor of Science degree in Business Management from Arkansas State University in 1980.

Willis Gambier (UK) Limited

Shing-Huei LI, also known as Elliott Li, aged 43, 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 Furniture. 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 positions 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, Washington DC in 1999.

David A. LANE, aged 50, 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.

Kevin L Stevens, aged 51, is Sales Director of Willis Gambier and joined our Group in July 2013. Prior to this, Mr. Stevens spent 3 years as Key account Manager at Westbridge Furniture Designs and helped set up and establish its successful arm supplying mid to top end upholstery to the domestic independent furniture market in the U.K and Ireland. Mr. Stevens had previously spent 3 years as group sales director of Alstons who supplied both upholstery and cabinet furniture to the domestic multiple and independent furniture trade within the U.K and Ireland. Mr. Stevens has 30 years experience within the U.K furniture market on both retail and manufacturing sides of the business.

Lacquer Craft

En-Kwang YANG, also known as Bob Yang, aged 66, 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 43, 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 56, 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 Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31 December 2013, 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, 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 Michael 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 2013, 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. Subsequent to his retirement as the Chief Executive Officer of Samson Marketing on 31 December 2013, Mr. Kevin Michael O'CONNOR was appointed as a Non-executive Director of the Company on 24 March 2014. As such, the number of directors increased to nine. 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 is 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.

Mr. Kevin Michael O'CONNOR, who was appointed by the Board as additional director of the Company on 24 March 2014, will be subject to retirement at the 2014 annual general meeting.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own Code for Securities Transactions by Directors and Employees governing the securities transactions of the directors and relevant employees (the "Company's Code") 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") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry, all directors have confirmed that they have complied with the Model Code and the Company's Code throughout the year ended 31 December 2013.

No incident of non-compliance of the Company's Code by the relevant employees who are likely to possess inside information of the Company 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.

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 all directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration. 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.

One Remuneration Committee meeting was held 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 as well as reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. 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 Audit Committee has also held two additional meetings to discuss the change of auditors.

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.

During the year, the Board has adopted a Board Diversity Policy setting, among other matters, a number of aspects of Board diversity that the Nomination Committee would consider in reviewing and assessing the Board composition.

According to the Board Diversity Policy, the Nomination Committee reviews and assesses the Board composition and makes recommendations to the Board on appointment of new directors of the Company. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board.

The Nomination Committee would consider the benefits of all aspects of diversity set out in the Board diversity policy, including but not limited to, talents, skills, regional and industry experience, background, gender, age and other qualities in reviewing and assessing the composition of the Board and also consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board in recommending candidates for appointment to the Board.

The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

One Nomination Committee meeting was held in 2013 to review the structure, size and composition of the Board and the committees and the independence of the Independent Non-executive Directors and considered the qualifications of the retiring directors standing for re-election at the annual general meeting.

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 the Company's Code, 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$454,000 and US$239,000 respectively. The non-audit services mainly consist of professional advisory on taxation (US$107,000) and review of interim financial information (US$132,000).

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Number of meetings held
Board	4
Remuneration Committee	1
Audit Committee	4
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:

	No. of meetings attended/held during the tenure of directorship				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Mr. Shan Huei KUO *(Chairman)*	3/4	N/A	N/A	1/1	1/1
Ms. Yi-Mei LIU *(Deputy Chairman)*	4/4	N/A	N/A	N/A	1/1
Mr. Mohamad AMINOZZAKERI	4/4	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Sheng Hsiung PAN	4/4	4/4	1/1	N/A	0/1
Mr. Yuang-Whang LIAO	3/4	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Ming-Jian KUO	4/4	N/A	1/1	1/1	0/1
Mr. Siu Ki LAU	4/4	4/4	N/A	N/A	1/1
Mr. Sui-Yu WU	4/4	4/4	1/1	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, two other Board meetings and a meeting between the Chairman of the Board and the Non-executive Directors (including Independent Non-executive Directors) of the Company were held 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 AUDITORS' 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 Auditors' Report on pages 28 and 29.

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@samsonglobal.com

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 19 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 30.

An interim dividend of HK$0.06 per share, amounting to approximately HK$182,617,000 (equivalent to approximately US$23,540,000), was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK$0.06 per share, amounting to approximately HK$182,617,000 (equivalent to approximately US$23,540,000) to the shareholders of the Company whose names appear on the Company's register of members on 29 May 2014, subject to the approval of the shareholders at the forthcoming annual general meeting.

FIVE YEARS OF 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 96 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2013, the Company's reserves available for distribution to shareholders were as follows:

	2013	2012
	US$'000	*US$'000*
Share premium	**185,388**	185,388
Contributed surplus	**80,186**	80,186
Retained profits	**711**	277
	266,285	265,851

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 14 and 15 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 32 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
Mr. Kevin Michael O'CONNOR *(appointed on 24 March 2014)*

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. Yi-Mei LIU, Sheng Hsiung PAN and Sui-Yu WU will retire by rotation pursuant to article 130 of the Articles, and Mr. Kevin Michael O'CONNOR will retire pursuant to article 114 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 33 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 were as follows:

	Date of grant	Exercise price HK$	Vesting date	Exercise period	Number of share options: Outstanding as at 1.1.2013	Granted during the year	Forfeited during the year	Outstanding as at 31.12.2013
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

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 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 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 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 discloses no person as having a notifiable interest or short position in the shares or underlying shares of the Company as at 31 December 2013.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors 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 38 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	11%
– five largest customers	26%
– the largest supplier	9%
– five largest suppliers	27%

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 2013.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately US$131,000.

AUDITORS

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Shan Huei KUO
Chairman

24 March 2014

EY 安永

TO THE SHAREHOLDERS 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 (together, the "Group") set out on pages 30 to 95, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 requirement 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

TO THE SHAREHOLDERS 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 Company and of the Group as at 31 December 2013, 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.

Ernst & Young
Certified Public Accountants
Hong Kong
24 March 2014

	Notes	**2013** **US$'000**	2012 US$'000
REVENUE	5	**408,846**	422,770
Cost of sales		**(304,877)**	(314,611)
Gross profit		**103,969**	108,159
Other income, gains, losses and expenses		**22,458**	16,175
Distribution costs		**(20,078)**	(20,986)
Sales and marketing expenses		**(40,136)**	(40,860)
Administrative expenses		**(36,985)**	(35,802)
Finance costs	7	**(1,720)**	(1,643)
		27,508	25,043
Impairment loss on available-for-sale investment		**(6,585)**	(1,227)
PROFIT BEFORE TAX	6	**20,923**	23,816
Income tax expense	10	**(5,004)**	(4,947)
PROFIT FOR THE YEAR		**15,919**	18,869
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
– Basic (in US cents)		**0.52**	0.62
– Diluted (in US cents)		**0.52**	0.62

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

For the year ended 31 December 2013

	2013 *US$'000*	2012 *US$'000*
PROFIT FOR THE YEAR	**15,919**	18,869
OTHER COMPREHENSIVE INCOME:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**5,825**	3,301
Fair value loss of available-for-sale investment	**(6,585)**	(1,227)
Reclassification adjustment for losses included in consolidated statement of profit or loss upon impairment of available-for-sale investment	**6,585**	1,227
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**5,825**	3,301
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**21,744**	22,170

	Notes	2013 US$'000	2012 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**123,980**	130,841
Investment properties	15	**8,831**	9,066
Prepaid land lease payments – non-current portion	16	**11,235**	11,530
Goodwill	17	**11,475**	11,475
Other intangible assets	18	**1,669**	1,669
Available-for-sale investment	20	**–**	7,655
Deposits paid for purchase of properties	21	**4,141**	1,519
Cash surrender value of life insurance	22	**1,295**	871
Deferred tax assets	31	**4,197**	3,686
Total non-current assets		**166,823**	178,312
CURRENT ASSETS			
Inventories	23	**102,274**	119,584
Trade and other receivables	24	**88,519**	93,735
Prepaid land lease payments – current portion	16	**324**	330
Held-for-trading investments	25	**171,280**	109,720
Derivative financial instruments	26	**2,524**	2,441
Pledged bank deposits	27	**10,872**	8,200
Short term bank deposits	27	**32,665**	104,078
Cash and cash equivalents	27	**109,941**	99,521
Total current assets		**518,399**	537,609
CURRENT LIABILITIES			
Trade and other payables	28	**48,110**	53,706
Tax payable		**7,486**	6,080
Derivative financial instruments	26	**4,372**	–
Interest-bearing bank borrowings	29	**100,069**	98,142
Total current liabilities		**160,037**	157,928
NET CURRENT ASSETS		**358,362**	379,681
TOTAL ASSETS LESS CURRENT LIABILITIES		**525,185**	557,993

continued/...

At 31 December 2013

	Notes	2013 US$'000	2012 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**525,185**	557,993
NON-CURRENT LIABILITIES			
Deferred compensation	*30*	**1,295**	971
Deferred tax liabilities	*31*	**2,868**	2,842
Total non-current liabilities		**4,163**	3,813
Net assets		**521,022**	554,180
EQUITY			
Issued capital	*32*	**152,180**	152,180
Reserves	*34(a)*	**368,842**	402,000
Total equity		**521,022**	554,180

The consolidated financial statements on pages 30 to 95 were approved and authorised for issue by the Board of Directors on 24 March 2014 and are signed on its behalf by:

Shan Huei KUO
DIRECTOR

Yi-Mei LIU
DIRECTOR

	Notes	Issued capital US$'000 (Note 32)	Share premium US$'000	Capital redemption reserve US$'000	Share option reserve US$'000 (Note 33)	Merger reserve US$'000 (Note 34(a))	Statutory reserve US$'000 (Note 34(a))	Exchange reserve US$'000	Investment revaluation reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2012		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
Other comprehensive income for the year:											
Exchange differences arising on translation of foreign operations		–	–	–	–	–	–	3,301	–	–	3,301
Fair value loss of available-for-sale investment		–	–	–	–	–	–	–	(1,227)	–	(1,227)
Reclassification adjustment for losses included in consolidated statement of profit or loss 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	33	–	–	–	16	–	–	–	–	–	16
Dividend recognised as distribution	12	–	–	–	–	–	–	–	–	(23,533)	(23,533)
At 31 December 2012 and at 1 January 2013		152,180	185,388	1,012	642	1,581	1,174	52,975	–	159,228	554,180
Profit for the year		–	–	–	–	–	–	–	–	15,919	15,919
Other comprehensive income for the year:											
Exchange differences arising on translation of foreign operations		–	–	–	–	–	–	5,825	–	–	5,825
Fair value loss of available-for-sale investment		–	–	–	–	–	–	–	(6,585)	–	(6,585)
Reclassification adjustment for losses included in consolidated statement of profit or loss upon impairment of available-for-sale investment		–	–	–	–	–	–	–	6,585	–	6,585
Total comprehensive income for the year		–	–	–	–	–	–	5,825	–	15,919	21,744
Recognition of equity-settled share-based payments	33	–	–	–	6	–	–	–	–	–	6
Dividend recognised as distribution	12	–	–	–	–	–	–	–	–	(54,908)	(54,908)
At 31 December 2013		152,180	185,388*	1,012*	648*	1,581*	1,174*	58,800*	–	120,239*	521,022

* These reserve accounts comprise the consolidated reserves of US$368,842,000 (2012: US$402,000,000) in the consolidated statement of financial position.

For the year ended 31 December 2013

	Notes	**2013** **US$'000**	2012 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**20,923**	23,816
Adjustments for:			
Write-down of inventories to net realisable value	6	**171**	621
Depreciation of investment properties	6	**235**	260
Depreciation of property, plant and equipment	6	**15,078**	16,000
Net gain on derivative financial instruments	6	**(7,230)**	(7,665)
Net gain on held-for-trading investments	6	**(3,904)**	(4,173)
Loss on disposal of available-for-sale investment	6	**355**	–
Loss on disposal of property, plant and equipment	6	**56**	311
Impairment loss on available-for-sale investments	20	**6,585**	1,227
Impairment loss on trade receivables	6	**155**	1,406
Interest expense	7	**1,720**	1,643
Interest income	6	**(5,092)**	(4,276)
Amortisation of land lease payments	6	**328**	329
Share-based payment expense	33	**6**	16
		29,386	29,515
Decrease/(increase) in inventories		**17,072**	(18,464)
Decrease/(increase) in trade and other receivables		**5,063**	(6,076)
Increase/(decrease) in trade and other payables		**(5,596)**	1,599
Increase in held-for-trading investments		**(54,232)**	(105,547)
Decrease in derivative financial instruments		**11,580**	5,446
Increase in cash surrender value		**(424)**	(175)
Increase in deferred compensation		**324**	275
Cash generated from/(used in) operations		**3,173**	(93,427)
PRC income tax paid		**(427)**	(16)
Overseas tax paid		**(3,833)**	(4,959)
Net cash flows used in operating activities		**(1,087)**	(98,402)

continued/...

	Notes	**2013** **US$'000**	2012 US$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Release of short term bank deposits		**322,111**	115,834
Interest received	6	**5,092**	4,276
Proceeds from disposal of available-for-sale investment		**715**	–
Proceeds from redemption of other investments		**–**	1,000
Proceeds from disposal of property, plant and equipment		**385**	349
Withdrawal of pledged bank deposits		**–**	2
Placement of short term bank deposits		**(250,693)**	(183,867)
Placement of pledged bank deposits		**(2,672)**	(8,200)
Purchase of property, plant and equipment	14	**(6,240)**	(2,546)
Deposits for acquisition of property, plant and equipment		**(2,622)**	(1,519)
Net cash flows from/(used in) investing activities		**66,076**	(74,671)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of bank borrowings		**(139,880)**	(107,184)
Dividend paid	12	**(54,908)**	(23,533)
Interest paid	7	**(1,720)**	(1,643)
New bank borrowings raised		**141,426**	125,071
Net cash flows used in financing activities		**(55,082)**	(7,289)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**9,907**	(180,362)
Cash and cash equivalents at the beginning of year		**99,521**	279,168
Effect of foreign exchange rate changes		**513**	715
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	27	**109,941**	99,521

At 31 December 2013

	Notes	**2013 US$'000**	2012 US$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*19*	**216,746**	216,746
Available-for-sale investment	*20*	**–**	7,655
Total non-current assets		**216,746**	224,401
CURRENT ASSETS			
Amounts due from subsidiaries	*19*	**202,289**	195,033
Cash and cash equivalents	*27*	**1,324**	612
Total current assets		**203,613**	195,645
CURRENT LIABILITIES			
Other payables	*28*	**232**	350
Amount due to a subsidiary	*19*	**2**	11
Total current liabilities		**234**	361
NET CURRENT ASSETS		**203,379**	195,284
TOTAL ASSETS LESS CURRENT LIABILITIES		**420,125**	419,685
EQUITY			
Issued capital	*32*	**152,180**	152,180
Reserves	*34(b)*	**267,945**	267,505
Total equity		**420,125**	419,685

1. CORPORATE INFORMATION

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 principal place of business of the Company is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

During the year, the Group was involved in the following principal activities:

- manufacturing and sale of furniture
- trading of furniture and procurement services
- investment holding

In the opinion of the directors, 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.

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, held-for-trading investments, cash surrender value of life insurance and deferred compensation, which have been measured at fair value. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
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 impact of HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries are included in note 19 to the financial statements.

(b) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the methodologies for measuring fair value have been revised. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 15 and 40 to the financial statements.

(d) The HKAS 1 Amendments change the 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 (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale investment) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(e) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows: (continued)

(f) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(g) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	*Regulatory deferral accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	2.5% to 5%
Plant and machinery	10%
Leasehold improvements	Over the shorter of the lease terms and 10%
Motor vehicles	20%
Furniture, fixtures and equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line basis at 2.5% per annum to write off the cost of investment properties over their estimated useful life.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income, gains, losses and expenses and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income, gains, losses and expenses in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other income, gains, losses and expenses for receivables.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, gains, losses and expenses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to the statement of profit or loss in other income, gains, losses and expenses. Interest and dividends earned whilst holding the available-for-sale investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income, gains, losses and expenses in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale investments in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income, gains, losses and expenses in the statement of profit or loss.

Available-for-sale investments

For available-for-sale investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

The Group has derivative financial instruments, such as forward currency contracts and foreign currency forward options. The Group's derivative financial instruments are neither designated nor qualified as hedging instruments. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of reporting period, with the resulting gain or loss recognised in the statement of profit or loss immediately. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not as restricted to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, and service income is recognised when services are provided;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 24 October 2005 is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised on a straight-line basis, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in United States dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the United States dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into United States dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into United States dollars at the exchange rates ruling at the dates of the cash flows. Frequently receiving cash flows of overseas subsidiaries which arise throughout the year are translated into United States dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was US$11,475,000 (2012: US$11,475,000). Further details are given in note 17.

Impairment of available-for-sale investments

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. In view of the significant prolonged decline in the fair value of the available-for-sale investment, an impairment loss of US$6,585,000 has been recognised for the available-for-sale investment at 31 December 2013 (2012: US$1,227,000). The carrying amount of the available-for-sale investment was US$7,655,000 at 31 December 2012.

4. OPERATING SEGMENT INFORMATION

The Group's revenue arises principally from manufacturing and sale of residential furniture.

For the purpose of resources allocation and performance assessment, the Group's chief operating decision makers, who are the executive directors of the Company, review operating results and financial information on a brand by brand basis. They focus on the operating results of each brand. Each brand constitutes an operating segment of the Group. As each brand shares similar economic characteristics, has similar products, is produced under similar production processes and has a 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$43,756,000 (2012: US$47,582,000) represents the profit before taxation earned by the single reportable segment excluding administrative expenses, other income, gains, losses and expenses and finance costs.

Other segment information

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

	Reportable segment total *US$'000*	Unallocated *US$'000*	Total *US$'000*
2013			
Depreciation of property, plant and equipment	**13,901**	**1,177**	**15,078**
Allowance for inventories	**171**	**–**	**171**
Impairment loss on available-for-sale investment	**–**	**6,585**	**6,585**
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

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. OPERATING SEGMENT 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., 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	
	2013	2012	**2013**	2012
	US$'000	*US$'000*	***US$'000***	*US$'000*
PRC, including Hong Kong	**13,091**	9,342	**94,593**	103,706
U.K.	**21,299**	22,926	**1,111**	1,208
U.S.	**369,705**	380,000	**50,880**	47,294
Bangladesh	**–**	–	**8,362**	9,303
Others	**4,751**	10,502	**6,385**	4,589
	408,846	422,770	**161,331**	166,100

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

Information about a major customer

Revenue from continuing operations of approximately US$43,505,000 (2012: US$48,967,000) was derived from sales to a single customer.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2013 US$'000	2012 US$'000
Staff costs		**82,412**	86,065
Share-based payment expense		**6**	16
Retirement benefit scheme contributions		**1,912**	2,638
Total staff costs including directors' remuneration	8	**84,330**	88,719
Write down of inventories to net realisable value		**171**	621
Auditors' remuneration		**676**	758
Cost of inventories sold		**304,877**	314,611
Depreciation of investment properties	15	**235**	260
Depreciation of property, plant and equipment	14	**15,078**	16,000
Amortisation of land lease payments	16	**328**	329
Impairment loss on trade receivables	24	**155**	1,406
Loss on disposal of property, plant and equipment*		**56**	311
Loss on disposal of available-for-sale investment*		**355**	–
Minimum lease payments under operating leases	36	**3,406**	3,302
Net gain on derivative financial instruments*		**(7,230)**	(7,665)
Net gain on held-for-trading investments*		**(3,904)**	(4,173)
Bank interest income*		**(5,092)**	(4,276)
Foreign exchange differences, net*		**(2,033)**	88
Rental income from lease*	36	**(1,446)**	(1,253)
Redundancy costs*		**–**	2,431
Service income from provision of logistics arrangement services		**(62)**	(69)

* These items are included in "Other income, gains, losses and expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2013 US$'000	2012 US$'000
Interest on bank borrowings wholly repayable within five years	**1,720**	1,643

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	US$'000	*US$'000*
Fees	**216**	216
Other emoluments:		
Salaries, allowances and benefits in kind	**1,745**	1,771
	1,961	1,987

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013	2012
	US$'000	*US$'000*
Ming-Jian KUO	**31**	31
Siu Ki LAU	**31**	31
Sui-Yu WU	**31**	31
	93	93

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, a non-executive director and the chief executive

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Total remuneration US$'000
2013			
Executive directors:			
Shan Huei KUO	**31**	**825**	**856**
Yi-Mei LIU	**31**	**585**	**616**
Mohamad AMINOZZAKERI	**31**	**335**	**366**
	93	**1,745**	**1,838**
Non-executive directors:			
Mr. Sheng Hsiung PAN	**15**	**–**	**15**
Mr. Yuang-Whang LIAO	**15**	**–**	**15**
	123	**1,745**	**1,868**
2012			
Executive directors:			
Shan Huei KUO	31	838	869
Yi-Mei LIU	31	600	631
Mohamad AMINOZZAKERI	31	333	364
	93	1,771	1,864
Non-executive directors:			
Mr. Sheng Hsiung PAN	15	–	15
Mr. Yuang-Whang LIAO	15	–	15
	123	1,771	1,894

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2012: Nil).

There were no performance related bonuses, equity-settled share options and pension scheme contributions paid to the executive directors, a non-executive director and the chief executive during the year (2012: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2012: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2012: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2013	2012
	US$'000	*US$'000*
Salaries, allowances and benefits in kind	**1,609**	894
Retirement benefit scheme contributions	**14**	11
Share-based payment expense	**6**	16
	1,629	921

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	2012
HK$2,500,001 to HK$3,000,000 (approximately US$323,001 to US$387,000)	**1**	1
HK$3,000,001 to HK$3,500,000 (approximately US$387,001 to US$452,000)	**–**	–
HK$3,500,001 to HK$4,000,000 (approximately US$452,001 to US$516,000)	**–**	–
HK$4,000,001 to HK$4,500,000 (approximately US$516,001 to US$581,000)	**1**	1
HK$4,500,001 to HK$5,000,000 (approximately US$581,001 to US$645,000)	**–**	–
HK$5,000,001 to HK$5,500,000 (approximately US$645,001 to US$710,000)	**1**	–
	3	2

During the year and in prior years, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

For the Group's subsidiaries established in the PRC and the U.S., income tax is calculated at the rates of 25% (2012: 25%) and 34% (2012: 34%), respectively.

No provision for Hong Kong profits tax has been made for the year ended 31 December 2013 as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2013 ***US$'000***	2012 *US$'000*
Group		
Current tax:		
The PRC Enterprise Income Tax ("EIT")	**1,113**	1,369
The U.S. income tax		
Current year	**3,348**	3,976
Underprovision/(overprovision) in prior years	**1,039**	(237)
Taiwan income tax	**3**	5
	5,503	5,113
Deferred tax *(note 31)*	**(499)**	(166)
	5,004	4,947

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2013 ***US$'000***	2012 *US$'000*
Profit before taxation	**20,923**	23,816
Taxation at the U.S. federal income tax rate of 34%	**7,114**	8,097
U.S. state income tax at various rates	**546**	905
Tax effect of expenses not deductible for tax purpose	**4,729**	4,469
Tax effect of income not taxable for tax purpose	**(4,310)**	(4,705)
Underprovision/(overprovision) in respect of prior years	**1,039**	(237)
Tax effect of tax losses not recognised	**1,990**	1,497
Utilisation of tax losses previously not recognised	**(117)**	(58)
Effect of profits earned by subsidiaries operating in other jurisdictions	**(5,987)**	(5,021)
Tax charge for the year	**5,004**	4,947

Details of the deferred taxation are set out in note 31.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a profit of US$55,342,000 (2012: US$21,973,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. DIVIDEND

	2013 ***US$'000***	2012 *US$'000*
Interim – HK$0.06 per share for 2013 (2012: HK$0.04 per share for 2012)	**23,540**	15,693
Final – HK$0.08 per share for 2012 (2012: HK$0.02 per share for 2011)	**31,368**	7,840
	54,908	23,533

Final dividend of HK$0.06 per share in respect of the year ended 31 December 2013 (2012: HK$0.08 per share in respect of the year ended 31 December 2012) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	2013 ***US$'000***	2012 *US$'000*
Profit for the year and earnings for the purpose of basic and diluted earnings per share	**15,919**	18,869

	2013 ***Number of shares***	2012 *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	**2,351,809**	882,204
Weighted average number of shares for the purpose of diluted earnings per share	**3,045,961,582**	3,044,491,977

14. PROPERTY, PLANT AND EQUIPMENT

Group

	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 2012	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 and 1 January 2013	6,545	106,035	100,396	11,436	2,180	40,216	1,943	268,751
Exchange adjustments	–	2,417	2,627	334	15	836	(159)	6,070
Additions	1,074	3,692	770	55	130	464	55	6,240
Transfer	–	255	107	–	–	–	(362)	–
Reclassification	–	–	(663)	–	123	540	–	–
Disposals	–	–	(694)	–	(125)	(164)	–	(983)
At 31 December 2013	**7,619**	**112,399**	**102,543**	**11,825**	**2,323**	**41,892**	**1,477**	**280,078**
Depreciation:								
At 1 January 2012	–	26,619	58,206	5,761	1,872	29,784	–	122,242
Exchange adjustments	–	300	683	73	14	263	–	1,333
Depreciation 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 and 1 January 2013	–	31,492	66,180	6,868	1,681	31,689	–	137,910
Exchange adjustments	–	829	1,894	216	24	689	–	3,652
Depreciation provided for the year	–	4,926	7,757	1,050	175	1,170	–	15,078
Reclassification	–	–	(515)	–	11	504	–	–
Eliminated on disposals	–	–	(308)	–	(99)	(135)	–	(542)
At 31 December 2013	–	37,247	75,008	8,134	1,792	33,917	–	156,098
Carrying value:								
At 31 December 2013	**7,619**	**75,152**	**27,535**	**3,691**	**531**	**7,975**	**1,477**	**123,980**
At 31 December 2012	6,545	74,543	34,216	4,568	499	8,527	1,943	130,841

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

At 31 December 2013, certain of the Group's property, plant and equipment with a net carrying amount of US$28,304,000 (2012: US$24,483,000) were pledged to banks to secure general banking facilities granted to the Group (note 35).

15. INVESTMENT PROPERTIES

	US$'000
Group	
Cost:	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	12,185
Accumulated depreciation:	
At 1 January 2012	2,859
Provided for the year	260
At 31 December 2012 and at 1 January 2013	3,119
Provided for the year	235
At 31 December 2013	3,354
Carrying amounts:	
At 31 December 2013	8,831
At 31 December 2012	9,066

The Group's investment properties are commercial properties in the U.S.. They are situated on freehold lands and the building elements are depreciated on a straight-line basis at 2.5% per annum.

At 31 December 2013, the Group's investment properties with a net carrying amount of US$8,831,000 (2012: US$9,066,000) were pledged to banks secure general banking facilities granted to the Group (note 35).

The fair value of the Group's investment properties at 31 December 2013 was US$12,509,700 (31 December 2012: US$12,510,000) as determined by the directors of the Company. No valuation has been performed by any independent qualified professional valuers.

Fair value hierarchy

The fair value measurement hierarchy of the Group's investment properties is as follows:

	2013	2012
	US$'000	*US$'000*
Significant unobservable inputs:		
Commercial properties (Level 3)	**12,510**	12,510

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

As the investment properties are measured initially at cost less accumulated depreciation and provision for any impairment in value. There is no movement of fair value measurements categorised within Level 3 of the fair value hierarchy.

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	**Significant unobservable inputs**
Commercial properties	Discount cash flow method	Estimated rental value Long term vacancy rate Discount rate

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

16. PREPAID LAND LEASE PAYMENTS

	2013 ***US$'000***	2012 *US$'000*
Carrying amount at 1 January	**11,860**	12,163
Exchange realignment	**27**	26
Amortisation during the year *(note 6)*	**(328)**	(329)
Carrying amount at 31 December	**11,559**	11,860
Current portion	**(324)**	(330)
Non-current portion	**11,235**	11,530

The leasehold lands situated in Mainland China and Indonesia are held under median leases.

17. GOODWILL

	US$'000
Group	
Cost and carrying amount:	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	11,475

For the purposes of impairment testing, the goodwill and trademark with indefinite useful life set out in notes 17 and 18, 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:

	2013	2012	**2013**	2012
	US$'000	*US$'000*	***US$'000***	*US$'000*
Brand A	**11,475**	11,475	**–**	–
Brand B *(Note 18)*	**–**	–	**1,669**	1,669
	11,475	11,475	**1,669**	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 amounts 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. 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 19% (2012: 17%) with a steady 5% (2012: 5%) growth rate. This growth rate is based on the furniture industry growth forecasts in the U.S. and does not exceed the average long term growth rate for the furniture 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 the unit.

17. GOODWILL (continued)

Brand B

The recoverable amount of this unit has been determined based on a value in use calculation. 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 19% (2012: 17%) with a steady 3% (2012: 3%) growth rate. This growth rate is based on the furniture industry growth forecasts in the U.S. and does not exceed the average long term growth rate for the furniture 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 the unit.

18. OTHER INTANGIBLE ASSETS

	Trademark *US$'000*
Group	
Cost and carrying amount:	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	1,669

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 in the foreseeable future. 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.

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 ***US$'000***	2012 *US$'000*
Unlisted shares, at cost	**216,746**	216,746

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of US$202,289,000 (2012: US$195,033,000) and US$2,000 (2012: US$11,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary shares/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Craftmaster Furniture, Inc.*	U.S.	US$0.01	–	100	Manufacturing and sale of furniture
Lacquer Craft Mfg. Co., Ltd. (Dongguan) ("LCDG")**	PRC	HK$497,340,000	–	100	Manufacturing and sale of furniture
Lacquer Craft Mfg. Co., Ltd. (Zhejiang) ("LCZJ")**	PRC	US$80,000,000	–	100	Manufacturing and sale of furniture
Dongguan Huanhua Home Furniture Co., Ltd. ("DHH")***	PRC	RMB2,000,000	–	100	Trading of furniture
Legacy Classic Furniture, Inc.*	U.S.	US$4,450,000	–	100	Marketing and sale of furniture
Samson International Enterprises Limited	BVI/Taiwan	US$50,000	–	100	Trading of furniture and procurement services
Samson Investment Holding Co.*	U.S.	US$0.10	–	100	Investment holding
Universal Furniture International, Inc.*	U.S.	US$0.35	–	100	Marketing and sale of furniture
Willis Gambier (UK)*	U.K.	£1	–	100	Trading of furniture
Trendex Furniture Ind. Co., Ltd.*	Bangladesh	Bangladesh Talia 400,000	–	100	Manufacturing and sale of furniture
PT Lacquer Craft Industry Indonesia*	Indonesia	Indonesia Rupiah 22,507,500,000	–	100	Manufacturing and sale of furniture

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

** LCDG and LCZJ are wholly foreign-owned enterprises.

*** DHH is a domestic investment entity.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2013	2012
	US$'000	*US$'000*
Equity securities listed in the U.S., at fair value	**–**	7,655

At 31 December 2013, the Group held 764,269 (2012: 1,031,624) equity shares in investment equity securities which represented share-equity interests in a company listed on the OTCQB, an over-the-counter financial marketplace organised by OTC Market Group Inc..

During the year, the Group has disposed of 267,355 equity shares in an available-for-sale investment for cash proceeds of US$715,000, resulting in a loss of US$355,000.

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

An impairment loss of US$6,585,000 (2012: US$1,227,000) has been recognised on the above equity investment due to a decline in fair value of the investment during the year.

21. 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$5,691,000 (2012: US$8,583,000) has been disclosed as a capital commitment in note 37 to the financial statements.

22. CASH SURRENDER VALUE OF LIFE INSURANCE

Amount under deferred compensation plan (note 30) 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.

The fair value of the cash surrender value of life insurance was determined based on the valuation provided by the counterparty financial institution by reference to the quoted price of the underlying units held.

Fair value hierarchy

The fair value measurement hierarchy of the Group's cash surrender value of life insurance is as follows:

	2013	2012
	US$'000	*US$'000*
Significant observable inputs:		
Cash surrender value of life insurance (Level 2)	**1,295**	871

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

23. INVENTORIES

	Group	
	2013	2012
	US$'000	*US$'000*
Raw materials	**33,270**	35,145
Work in progress	**13,380**	11,260
Finished goods	**55,624**	73,179
	102,274	119,584

At 31 December 2013, the Group's inventories with a carrying amount of US$24,486,000 (2012: US$31,345,000) were pledged as security for the Group's banking facilities, as further detailed in note 35 to the financial statements.

24. TRADE AND OTHER RECEIVABLES

	Group	
	2013	2012
	US$'000	*US$'000*
Trade receivables	**77,173**	82,137
Less: Provision for impairment	**(2,510)**	(2,868)
	74,663	79,269
Other receivables and prepayments *(Note)*	**13,856**	14,466
	88,519	93,735

Note: Other receivables and prepayments mainly include advances to suppliers, interest receivables and deposits. None of the other receivables and prepayment is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2013	2012
	US$'000	*US$'000*
Within 1 month	**41,615**	43,866
1 to 2 months	**20,748**	21,464
Over 2 months	**12,300**	13,939
	74,663	79,269

24. TRADE AND OTHER RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2013	2012
	US$'000	*US$'000*
Balance at beginning of the year	**2,868**	1,871
Impairment losses recognised on trade receivables *(note 6)*	**155**	1,406
Written off as uncollectible	**(513)**	(409)
Balance at end of the year	**2,510**	2,868

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of US$2,510,000 (2012: US$2,868,000) with a carrying amount before provision of US$77,173,000 (2012: US$82,137,000)

The individual impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2013	2012
	US$'000	*US$'000*
Neither past due nor impaired	**62,363**	65,330
Less than 3 months past due	**12,300**	13,939
	74,663	79,269

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

Certain subsidiaries have pledged trade and other receivables of approximately US$63,962,000 (2012: US$65,114,000) to secure general banking facilities granted to the Group (note 35).

25. HELD-FOR-TRADING INVESTMENTS

	Group 2013 US$'000	2012 US$'000
Debt securities, at fair value:		
Listed in the U.S. with fixed interest of zero coupon rate (with guaranteed yield to maturity) to 6.125% and maturity from March 2014 to November 2017	**51,488**	23,890
Listed in Hong Kong with fixed interest of 1.4% to 6.25% and maturity from April 2016 to August 2018	**32,384**	24,687
Listed in Singapore with fixed interest of 2.625% to 7.625% and maturity from May 2016 to April 2019	**24,222**	22,724
Listed in the U.K. with fixed interest of 3.2% to 10.179% and maturity from November 2015 to January 2022	**10,300**	9,600
Listed in other jurisdictions with fixed interest of 1.8% to 5.25% and maturity from January 2014 to May 2017	**20,095**	13,819
Others	**32,791**	15,000
	171,280	109,720

The above investments at 31 December 2012 and 2013 were classified as held-for-trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 Assets US$'000	2013 Liabilities US$'000	2012 Assets US$'000	2012 Liabilities US$'000
Group				
Forward currency contracts	**2,524**	**2,117**	2,120	–
Foreign currency options contracts	**–**	**2,255**	321	–
	2,524	**4,372**	2,441	–

The Group has entered into forward currency contracts and foreign currency options contracts which are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to US$4,351,000 were charged to the statement of profit or loss during the year (2012: US$2,219,000 credited to the statement of profit or loss).

27. CASH AND CASH EQUIVALENTS, SHORT TERM BANK DEPOSITS AND PLEDGED BANK DEPOSITS

		Group		Company	
		2013	2012	**2013**	2012
	Note	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Cash and bank balances		**153,478**	211,799	**1,324**	612
Less: Time deposits with maturity more than three months but less than a year		**(32,665)**	(104,078)	**–**	–
		120,813	107,721	**1,324**	612
Less: Pledged bank deposits:					
Pledged for bank borrowings	*35*	**(10,872)**	(8,200)	**–**	–
Cash and cash equivalents		**109,941**	99,521	**1,324**	612

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$23,765,000 (2012: US$13,986,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged bank deposits are deposited with creditworthy banks with no recent history of default.

28. 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.

	Group		Company	
	2013	2012	**2013**	2012
	US$'000	*US$'000*	***US$'000***	*US$'000*
Trade payables:				
0 – 30 days	**12,071**	18,300	**–**	–
31 – 60 days	**4,696**	4,561	**–**	–
Over 60 days	**2,209**	1,777	**–**	–
	18,976	24,638	**–**	–
Other payables and accruals *(Note)*	**29,134**	29,068	**232**	350
	48,110	53,706	**232**	350

Note: Other payables and accruals mainly included accrued salaries and bonus, accrued transportation expenses and receipts in advance. The other payables are non-interest-bearing and have no fixed terms of repayment.

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

29. INTEREST-BEARING BANK BORROWINGS

Group

	2013			2012		
	Effective interest rate (%)	**Maturity**	***US$'000***	Effective interest rate (%)	Maturity	*US$'000*
Current						
Bank loans – unsecured	**0.85**	**2014**	**100,069**	1.09	2013	98,142

	Group	
	2013	2012
	US$'000	*US$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**100,069**	98,142

Notes:

(a) The Group's credit facilities amounting to US$20,000,000 (2012: US$25,000,000), none (2012: none) of which had been utilized as at the end of the reporting period, are secured by certain assets of the Group. Details are disclosed in note 35 to the financial statements.

As at 31 December 2013, none of the above bank borrowings (2012: US$17,662,000) were guaranteed by Mr. Shan Huei Kuo and Ms. Yi-Mei Liu, both are directors and ultimate controlling parties of the Company.

(b) 95% of the unsecured bank loans are denominated in the US$, with the remaining 5% denominated in British pounds and Renminbi.

30. DEFERRED COMPENSATION

The Group has adopted a 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 22). 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.

Fair value hierarchy

The fair value measurement hierarchy of the Group's deferred compensation is as follows:

	2013	2012
	US$'000	*US$'000*
Significant observable inputs:		
Deferred compensation (Level 2)	**1,295**	971

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

31. DEFERRED TAX ASSETS/LIABILITIES

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 US$'000	Others US$'000	Total US$'000
At 31 December 2011	2,062	(2,744)	(682)
Exchange adjustments	4	–	4
Charge/(credit) to profit or loss *(note 10)*	7	(173)	(166)
At 31 December 2012 and at 1 January 2013	2,073	(2,917)	(844)
Exchange adjustments	14	–	14
Credit to profit or loss *(note 10)*	(191)	(308)	(499)
At 31 December 2013	1,896	(3,225)	(1,329)

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:

	2013 US$'000	2012 US$'000
Deferred tax liabilities	**2,868**	2,842
Deferred tax assets	**(4,197)**	(3,686)
	(1,329)	(844)

At the end of the reporting period, the Group has unused tax losses of US$17,940,000 (2012: US$13,465,000) 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$13,581,000 (2012: US$10,525,000) that may be carried forward for a period of five years from their respective year of origination. Other losses may be carried forward indefinitely.

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 2013, 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$6,916,000 (2012: US$6,658,000) and US$57,503,000 (2012: US$56,740,000), 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.

32. SHARE CAPITAL

Shares

	2013 **US$'000**	2012 US$'000
Authorised:		
6,000,000,000 ordinary shares of US$0.05 each	**300,000**	300,000
Issued and fully paid:		
3,043,609,773 ordinary shares of US$0.05 each	**152,180**	152,180

No movement in share capital was noted during the year.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the financial statements.

33. 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% 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 US$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.

33. 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	Outstanding as at 1.1.2012	Granted (forfeited) during the year	Outstanding as at 31.12.2012	Granted (forfeited) during the year	Outstanding as at 31.12.2013
					Number of share options				
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							11,618,947		13,118,947
Weighted average exercise price (HK$ per share)					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$6,000 (2012: US$16,000) for the year in relation to share options granted by the Company.

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 34 of the annual report.

Merger reserve

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

Statutory reserve

Pursuant to the relevant regulations applicable to foreign investment enterprises established in the PRC, 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 principles 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.

(b) Company

	Notes	Share premium US$'000	Capital redemption reserve US$'000	Contributed surplus US$'000	Share option reserve US$'000	Investment revaluation reserve US$'000	Retained profits/ (accumulated losses) US$'000	Total US$'000
At 31 December 2011		185,388	1,012	80,186	626	–	1,837	269,049
Profit for the year		–	–	–	–	–	21,973	21,973
Fair value loss of available-for-sale investment		–	–	–	–	(1,227)	–	(1,227)
Reclassification adjustment for losses included in consolidated statement of profit or loss upon impairment of 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	12	–	–	–	–	–	(23,533)	(23,533)
At 31 December 2012 and 1 January 2013		185,388	1,012	80,186	642	–	277	267,505
Profit for the year		–	–	–	–	–	55,342	55,342
Fair value loss of available-for-sale investment		–	–	–	–	(6,585)	–	(6,585)
Reclassification adjustment for losses included in consolidated statement of profit or loss upon impairment of available-for-sale investment		–	–	–	–	6,585	–	6,585
Total comprehensive income for the year		–	–	–	–	–	55,342	55,342
Recognition of equity-settled share based payments		–	–	–	6	–	–	6
Dividend recognised as distribution	12	–	–	–	–	–	(54,908)	(54,908)
At 31 December 2013		185,388	1,012	80,186	648	–	711	267,945

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.

35. PLEDGE OF ASSETS

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

	Notes	**2013** **US$'000**	2012 US$'000
Property, plant and equipment	14	**28,304**	24,483
Investment properties	15	**8,831**	9,066
Inventories	23	**24,486**	31,345
Trade and other receivables	24	**63,962**	65,114
Pledged bank deposits	27	**10,872**	8,200
		136,455	138,208

36. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2013 **US$'000**	2012 US$'000
Within one year	**2,985**	2,726
In the second to fifth year, inclusive	**6,861**	7,518
Over five years	**3,074**	5,240
	12,920	15,484

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 a rental payable by the Group for its leasehold interest in a piece of land with a remaining lease term of 8 (2012: 9) years.

The Group as lessor

Property rental income earned from the lease of a warehouse facility and sublease of leased factories during the year was US$1,446,000 (2012: US$1,253,000). The warehouse facility held has committed tenants for the next 9 (2012: 10) years.

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

	2013 **US$'000**	2012 US$'000
Within one year	**1,410**	1,197
In the second to fifth year, inclusive	**5,008**	4,946
Over five years	**5,262**	6,538
	11,680	12,681

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group and the Company had the following capital commitments at the end of the reporting period:

	2013	2012
	US$'000	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted, but not provided for in the consolidated financial statements	**5,691**	8,583

38. RELATED PARTY TRANSACTIONS

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

Name of related company	**Nature of transaction**	**2013** ***US$'000***	2012 *US$'000*
Samson Global Co., Ltd.	Rental paid	**40**	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:

	2013	2012
	US$'000	*US$'000*
Short term benefits	**3,570**	2,881
Retirement benefit scheme contributions	**14**	11
Share-based payment expense	**6**	16
	3,590	2,908

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.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2013

Financial assets

	Group			
	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition *US$'000*	Held for trading *US$'000*	Loans and receivables *US$'000*	Total *US$'000*
Cash surrender value of life insurance	1,295	–	–	1,295
Trade receivables	–	–	74,663	74,663
Financial assets included in prepayments, deposits and other receivables	–	–	13,856	13,856
Held-for-trade investments	–	171,280	–	171,280
Derivative financial instruments	–	2,524	–	2,524
Pledged bank deposits	–	–	10,872	10,872
Short term bank deposits	–	–	32,665	32,665
Cash and cash equivalents	–	–	109,941	109,941
	1,295	173,804	241,997	417,096

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Held for trading *US$'000*	Financial liabilities at amortised cost *US$'000*	Total *US$'000*
Trade payables	–	18,976	18,976
Financial liabilities included in other payables and accruals	–	29,134	29,134
Derivative financial instruments	4,372	–	4,372
Interest-bearing bank borrowings	–	100,069	100,069
	4,372	148,179	152,551

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2012

Financial assets

	Group				
	Financial assets at fair value through profit or loss				
	Designated as such upon initial recognition	Held for trading	Loans and receivables	Available-for-sale financial assets	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cash surrender value of life insurance	871	–	–	–	871
Available-for-sale investment	–	–	–	7,655	7,655
Trade receivables	–	–	79,269	–	79,269
Financial assets included in prepayments, deposits and other receivables	–	–	14,466	–	14,466
Held-for-trading investments	–	109,720	–	–	109,720
Derivative financial instruments	–	2,441	–	–	2,441
Pledged bank deposits	–	–	8,200	–	8,200
Short term bank deposits	–	–	104,078	–	104,078
Cash and cash equivalents	–	–	99,521	–	99,521
	871	112,161	305,534	7,655	426,221

Financial liabilities

	Financial liabilities at amortised cost
	US$'000
Trade payables	24,638
Financial liabilities included in other payables and accruals	29,068
Interest-bearing bank borrowings	98,142
	151,848

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

	Company				
	2013		2012		
	Loans and receivables US$'000	**Total US$'000**	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Available-for-sale investment	**–**	**–**	–	7,655	7,655
Due from subsidiaries	**202,289**	**202,289**	195,033	–	195,033
Cash and cash equivalents	**1,324**	**1,324**	612	–	612
	203,613	**203,613**	195,645	7,655	203,300

Financial liabilities

	2013 Financial liabilities at amortised cost US$'000	2012 Financial liabilities at amortised cost US$'000
Due to subsidiaries	**2**	11
Financial liabilities included in other payables and accruals	**232**	350
	234	361

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade receivables, trade payables, financial assets included in other receivables and prepayments, financial liabilities included in other payables and accruals and balances with subsidiaries, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the available-for-sale investment and held-for-trading investments are based on quoted market prices.

The fair values of cash surrender value of life insurance and deferred compensation were determined based on the valuation provided by the counterparty financial institution by reference to the quoted price of the underlying units held.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with BBB credit ratings or higher. Derivative financial instruments, including foreign currency forward contracts, currency structured forward contracts and foreign currency forward options are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of foreign currency forward contracts, currency structured forward contracts and foreign currency forward options are the same as their fair values.

As at 31 December 2013, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Total
	US$'000	*US$'000*	*US$'000*
As at 31 December 2013			
Held-for-trading investments	**143,445**	**27,835**	**171,280**
Derivative financial instruments	**–**	**2,524**	**2,524**
Cash surrender value of life insurance	**–**	**1,295**	**1,295**
	143,445	**31,654**	**175,099**
As at 31 December 2012			
Available-for-sale investment	7,655	–	7,655
Held-for-trading investments	94,720	15,000	109,720
Derivative financial instruments	–	2,441	2,441
Cash surrender value of life insurance	–	871	871
	102,375	18,312	120,687

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

Company

The Company did not have any financial assets measured at fair value as at 31 December 2013.

As at 31 December 2012

	Fair value measurement using quoted prices in active markets (Level 1) *US$'000*
Available-for-sale investment – listed	7,655

Liabilities measured at fair value:

Group

As at 31 December 2013

	Fair value measurement using significant observable inputs (Level 2) ***US$'000***
Derivative financial instruments	**4,372**
Deferred compensation	**1,295**

As at 31 December 2012

	Fair value measurement using significant observable inputs (Level 2) *US$'000*
Deferred compensation	971

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2012: Nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include an available-for-sale 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 in a timely and effective manner.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 8% (2012: 8%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 61% (2012: 63%) of purchases were denominated in the units' functional currencies.

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.

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB and GBP exchange rate, with all other variables held constant, of the Group's profit before (or after) tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*US$'000*	*US$'000*
2013			
If the US$ weakens against the RMB	**1%**	**(18)**	**(948)**
If the US$ strengthens against the RMB	**1%**	**18**	**948**
If the US$ weakens against the GBP	**3%**	**135**	**(66)**
If the US$ strengthens against the GBP	**3%**	**(135)**	**66**
2012			
If the US$ weakens against the RMB	1%	(50)	(1,865)
If the US$ strengthens against the RMB	1%	50	1,865
If the US$ weakens against the GBP	3%	119	(51)
If the US$ strengthens against the GBP	3%	(119)	51

* Excluding retained profits

Credit risk

As at 31 December 2013, 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 management manages this exposure by maintaining a portfolio of investments with different risk profiles and listed in different stock exchange markets.

The Group is mainly engaged in the furniture industry, and its concentration of credit risk by geographical locations is mainly in the U.S., which accounted for 86% (2012: 86%) of the total trade receivables as at 31 December 2013. The Group also has concentration of credit risk by customer as 57% (2012: 55%) and 38% (2012: 37%) of the total trade receivables were due from the Group's five largest customers and largest customer respectively.

41. 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 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 maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Group		
	On demand or less than 3 months	3 to less than 12 months	Total
	US$'000	*US$'000*	*US$'000*
2013			
Interest-bearing bank borrowings	**100,098**	**–**	**100,098**
Trade payables	**16,767**	**2,209**	**18,976**
Other payables	**29,134**	**–**	**29,134**
Derivative financial instruments	**4,372**	**–**	**4,372**
	150,371	**2,209**	**152,580**
2012			
Interest-bearing bank borrowings	98,202	–	98,202
Trade payables	22,861	1,777	24,638
Other payables	30,845	–	30,845
	151,908	1,777	153,685

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital 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 29 (net of cash and cash equivalents disclosed in note 27) to the financial statements, and equity attributable to the owners of the parent, 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.

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group monitors capital using a gearing ratio, which is net debt divided by the equity plus net debt. The Group's policy is to maintain the gearing ratio between 5% and 20%. Debt includes interest-bearing bank borrowings. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2013	2012
	US$'000	*US$'000*
Debt	**100,069**	98,142
Equity	**521,022**	554,180
	621,091	652,322
Gearing ratio	**19%**	18%

42. COMPARATIVE AMOUNTS

Other income of US$7,167,000 for the year ended 31 December 2012 was reclassified to other income, gains, losses and expenses in the consolidated statement of profit or loss, as in the opinion of the directors, such reclassifications would produce a more appropriate presentation of the Group's profit or loss.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2014.

RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
REVENUE	**408,846**	422,770	423,439	447,032	393,360
Profit before impairment loss of available-for-sale investment	**27,508**	25,043	13,444	43,288	41,835
Impairment loss on available-for-sale investment	**(6,585)**	(1,227)	(7,077)	–	–
Profit before taxation	**20,923**	23,816	6,367	43,288	41,835
Taxation	**(5,004)**	(4,947)	(4,626)	(4,332)	(1,595)
Profit for the year	**15,919**	18,869	1,741	38,956	40,240

ASSETS AND LIABILITIES

	As at 31 December				
	2013	2012	2011	2010	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total assets	**685,222**	715,921	700,228	746,401	637,463
Total liabilities	**(164,200)**	(161,741)	(144,701)	(163,612)	(73,429)
Total equity	**521,022**	554,180	555,527	582,789	564,034