



Samson Holding Ltd.
順誠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 531.hk)

Interim Report 2014



* for identification purpose only



Contents

| | |
|--|----|
| Corporate Profile | 1 |
| Corporate Information | 2 |
| Financial Highlights | 3 |
| Management Discussion and Analysis | 4 |
| Other Information | 6 |
| Report on Review of Condensed Consolidated Financial Statements | 9 |
| Condensed Consolidated Income Statement | 10 |
| Condensed Consolidated Statement of Comprehensive Income | 11 |
| Condensed Consolidated Statement of Financial Position | 12 |
| Condensed Consolidated Statement of Changes in Equity | 13 |
| Condensed Consolidated Statement of Cash Flows | 14 |
| Notes to the Condensed Consolidated Financial Statements | 15 |

Corporate Profile

Since its establishment in 1995, Samson Group, including **Samson Holding Ltd.** (the “Company”) and its subsidiaries (the “Group”), has now become a fully vertically-integrated furniture company and ranks as one of top 10 furniture wholesalers in the United States of America (the “U.S.”) and in the United Kingdom (the “U.K.”). Further, we are among the top 3 casegoods manufacturers in Asia. We currently market a wide range of our furniture products through a portfolio of brand names including Universal Furniture, Smartstuff by Universal, Legacy Classic Furniture, Legacy Classic Kids, Craftmaster Furniture, LacquerCraft Hospitality, and licensed with Paula Deen and Wendy Bellissimo 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 the U.K. market expertise, combining with the PRC manufacturing know-how, create a globally-integrated products and services logistics platform that brings forth the most effective means of business operations by which we strive to maximise ultimate benefits to our customers and shareholders.

Corporate Information

Executive Directors

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

Non-executive Directors

Mr. Sheng Hsiung PAN
Mr. Yuang-Whang LIAO
Mr. Kevin Michael O'CONNOR
(resigned on 26 August 2014)

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.cmffurniture.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
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

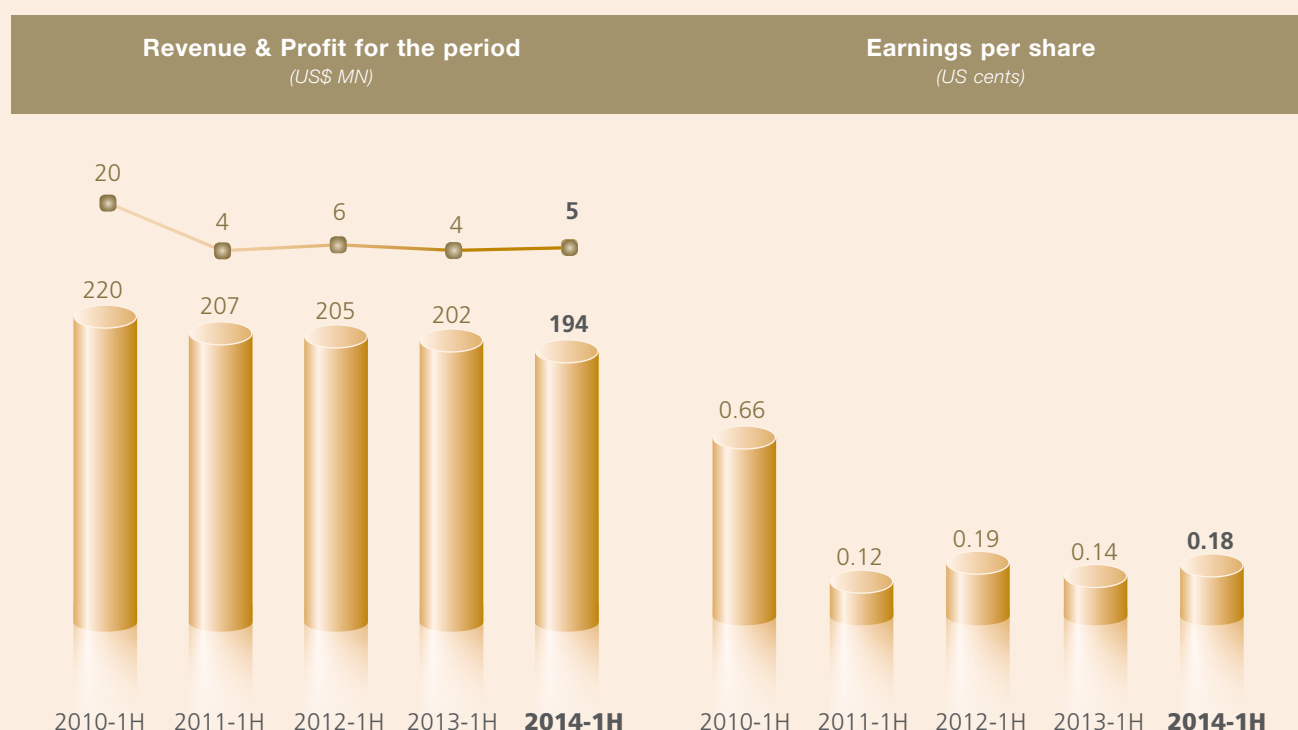
Hong Kong Branch:



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

Financial Highlights

| | Six months ended 30 June 2014 US\$'000 | Six months ended 30 June 2013 US\$'000 | Six months ended 30 June 2014 HK\$'000* | Six months ended 30 June 2013 HK\$'000* |
|----------------------------------|---|---|--|--|
| Operating results | | | | |
| Revenue | 193,886 | 201,941 | 1,512,311 | 1,575,140 |
| Gross profit | 52,588 | 52,492 | 410,186 | 409,438 |
| Earnings before interest and tax | 8,626 | 6,962 | 67,283 | 54,304 |
| Profit for the period | 5,412 | 4,223 | 42,214 | 32,939 |
| Earnings per share (US/HK cents) | 0.18 | 0.14 | 1.39 | 1.09 |
| | As at 30 June 2014 US\$'000 | As at 31 December 2013 US\$'000 | As at 30 June 2014 HK\$'000* | As at 31 December 2013 HK\$'000* |
| Financial position | | | | |
| Total assets | 692,630 | 685,222 | 5,402,514 | 5,344,732 |
| Net current assets | 343,623 | 358,362 | 2,680,259 | 2,795,224 |
| Shareholders' equity | 498,985 | 521,022 | 3,892,083 | 4,063,972 |

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



 Revenue
 Profit for the period

Management Discussion and Analysis

Business Review

We saw encouraging progress in each of our operating divisions in the first half driven by innovative marketing strategies, category expansion and manufacturing efficiency. Nevertheless, weather-related challenges in North America early this year adversely impacted the overall sales in the first half. The branded division which accounts for a vast majority of our total sales continues to develop in-depth involvement with major customers, led by a better performance in our higher-priced segment and our U.K. division, with the exception of the mid-priced segment. Moreover, we were particularly pleased with the outstanding performance our upholstery division delivered in the first half thanks to the continuous efforts in product re-engineering and operational excellence. The performance of our OEM and hospitality divisions in the first half were slower than we initially anticipated, however, we expect both divisions to improve in the second half. During the period, we managed to enhance margins and grow core profit as results of the healthy product mix and effective cost control measures.

Financial Review

Net sales for the six-month period under review was US\$193.9 million compared to US\$201.9 million in the same period last year, a decrease of US\$8.0 million or 4.0%. The decrease in net sales was attributable to the low sales in mid-priced segment, OEM and hospitality division.

Gross profit margin for the period increased to 27.1% from 26.0% for the same period in 2013. The improvement in margin was driven by better product mix, category expansion and manufacturing efficiency.

Total operating expenses for the period decreased to US\$45.4 million from US\$50.2 million for the same period in 2013. The decrease was attributable to our effective cost control measures.

Profit for the period increased to US\$5.4 million from US\$4.2 million for the same period in 2013. Net profit margin increased to 2.8% from 2.1% for the same period in 2013. The increase in profit was in line with the improving margin, lower operating expenses and no impairment loss impact.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2014, the Group's cash and cash equivalents decreased by US\$72.6 million to US\$37.3 million from US\$109.9 million as at 31 December 2013, short term bank deposits increased by US\$55.7 million to US\$88.4 million from US\$32.7 million as at 31 December 2013. Interest-bearing bank borrowings increased by US\$26.7 million to US\$126.8 million from US\$100.1 million as at 31 December 2013. The gearing ratio (total bank borrowings/shareholders' equity) increased to 25.4% from 19.2% as at 31 December 2013. The Group's cash position remains strong and the Group possesses sufficient cash and available banking facilities to meet working capital requirements and further enable us to expand through acquisitions with confidence.

Cash and cash equivalents held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling and Hong Kong dollars. As at 30 June 2014, short term bank borrowings of US\$121.4 million bore interest at floating rate and fixed rates (31 December 2013: US\$100.1 million) and long term bank borrowing of US\$5.4 million bore interest at floating rate (31 December 2013: Nil).

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.

Management Discussion and Analysis (cont'd)

As a result of our international operations, we are exposed to foreign exchange risk arising from various currency exposures primarily with respect to Renminbi and U.K. Pound Sterling. Although the majority of our total revenues is denominated in U.S. dollars, a substantial portion of our cost of sales is paid in Renminbi and part of the sales are denominated in U.K. Pound Sterling. The exchange rates of U.K. Pound Sterling and Renminbi to U.S. dollars have fluctuated substantially in recent years and may continue to fluctuate in the future. In order to manage the risks arising from fluctuations in foreign currency exchange rates, we entered into forward foreign currency contracts to help manage currency exposures associated with certain sales and cost of sales. Most of the forward exchange contracts have generally ranged from one to twelve months in maturity whereas all foreign currency exchange contracts are recognized in the balance sheet at fair value. As at 30 June 2014, outstanding forward exchange contracts with notional value amounted to US\$564.0 million (31 December 2013: US\$419.6 million).

The Group's current assets increased by 1.8% to US\$527.9 million from US\$518.4 million as at 31 December 2013 and the Group's current liabilities increased by 15.2% to US\$184.3 million from US\$160.0 million as at 31 December 2013. The current ratio (current assets/current liabilities) therefore decreased to 2.9 times from 3.2 times as at 31 December 2013.

Pledge of Assets

As at 30 June 2014, the Group's inventories of US\$24.4 million (31 December 2013: US\$24.5 million), trade and other receivables of US\$70.5 million (31 December 2013: US\$64.0 million), property, plant and equipment of approximately US\$28.6 million (31 December 2013: US\$28.3 million), investment properties of approximately US\$8.7 million (31 December 2013: US\$8.8 million), pledged bank deposits of approximately US\$3.9 million (31 December 2013: US\$10.9 million) and deposits paid for purchase of properties of US\$9.8 million (31 December 2013: Nil) had been pledged to banks to secure the general banking facilities granted to the Group.

Capital Expenditure

Capital expenditure for the six months ended 30 June 2014 amounted to US\$1.4 million compared to US\$4.3 million for the same period in 2013. Capital expenditure was mainly incurred for the purpose of upgrading and renovation of plant and machinery in the PRC.

Outlook

Moving forward, we expect an improving performance heading into the second half. With a highly diversified product offerings, state-of-the-art production facilities, and well-established distribution channels, we believe we are well-positioned to outperform our industry peers and continue to gain significant market share.

Employees and Emolument Policy

As at 30 June 2014, the Group employed approximately 8,100 (30 June 2013: 8,200) full-time employees in the PRC, the U.S., the U.K. and Taiwan.

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

Other Information

Dividend

The Board has resolved the payment of an interim dividend of HK\$0.06 per share for the six months ended 30 June 2014 (30 June 2013: HK\$0.06), amounting to approximately HK\$182.6 million (30 June 2013: HK\$182.6 million), to the shareholders of the Company whose names appear on the Company's register of members on 15 September 2014. The interim dividend will be paid on 26 September 2014.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 11 September 2014 to Monday, 15 September 2014, both days inclusive, during which period no transfers of shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 10 September 2014.

Corporate Governance

The Board is committed to maintaining high standards of corporate governance. The Company confirms that it has complied with all material code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the six months ended 30 June 2014, save that Mr. Shan Huei KUO is the Chairman of the Board and also the Chief Executive Officer of Lacquer Craft Mfg. Co., Ltd. (Dongguan) and Lacquer Craft Mfg. Co., Ltd. (Zhejiang). The Group does not intend to separate these two functions as both the Board and senior management of the Group have significantly benefited from the leadership, support and experience of Mr. Kuo in his management of the Board and the business of the Company.

Changes in Directors' Biographical Details

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

Mr. Siu Ki LAU, independent non-executive director of the Company, has been appointed as independent supervisor of Beijing Capital International Airport Co., Ltd. with effect from 30 June 2014.

Mr. Kevin Michael O'CONNOR, former non-executive director of the Company, has resigned as a board member of High Point Chamber of Commerce with effect from 15 July 2014.

Directors' Securities Transactions

The Company has adopted its own Code for Securities Transactions by Directors and 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 to govern the securities transactions of the directors and relevant employees.

Having made specific enquiry, all directors have confirmed that they have complied with the Model Code and the Company's Code throughout the six months ended 30 June 2014.

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

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

Share Option Scheme

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

| Date of grant | Exercise price HK\$ | Vesting date | Exercise period | Number of share options | | | | | | |
|--------------------------|------------------------|--------------|-------------------------|----------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|-----------------------------|------------|
| | | | | Outstanding as at 1.1.2014 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | Outstanding as at 30.6.2014 | |
| Director: | | | | | | | | | | |
| Mr. Mohamad AMINOZZAKERI | 6.2.2006 | 4.20 | 6.2.2007 – 16.11.2015 | 83,333 | – | – | – | – | – | 83,333 |
| | | | 6.2.2008 – 16.11.2015 | 83,333 | – | – | – | – | – | 83,333 |
| | | | 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 – 16.11.2015 | 1,789,649 | – | – | – | (350,000) | – | 1,439,649 |
| | | | 6.2.2008 – 16.11.2015 | 1,789,649 | – | – | – | – | – | 1,789,649 |
| | | | 6.2.2009 – 16.11.2015 | 1,789,649 | – | – | – | – | – | 1,789,649 |
| | 29.12.2008 | 0.87 | 15.12.2009 – 16.11.2015 | 1,500,000 | – | – | – | – | – | 1,500,000 |
| | | | 15.12.2010 – 16.11.2015 | 1,500,000 | – | – | – | – | – | 1,500,000 |
| | | | 15.12.2011 – 16.11.2015 | 1,500,000 | – | – | – | – | – | 1,500,000 |
| | | | 15.12.2012 – 16.11.2015 | 1,500,000 | – | – | – | – | – | 1,500,000 |
| | | | 15.12.2013 – 16.11.2015 | 1,500,000 | – | – | – | – | – | 1,500,000 |
| | | | | 12,868,947 | – | – | – | (350,000) | – | 12,518,947 |
| Total | | | | 13,118,947 | – | – | – | (350,000) | – | 12,768,947 |

Other Information (cont'd)

Directors' Interests in Shares and Underlying Shares

As at 30 June 2014, the interests of the directors and chief executive in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions:

(1) Shares of the Company

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

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

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

(2) Underlying Shares of the Company

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

Other than as disclosed above, none of the directors nor chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2014.

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 30 June 2014.

Independent and Audit Committee Review

The unaudited interim report for the six months ended 30 June 2014 has been reviewed by Ernst & Young, which report is included in this report, and the Company's Audit Committee.

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF SAMSON HOLDING LTD.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements set out on pages 10 to 26, which comprise the condensed consolidated statement of financial position of Samson Holding Ltd. as of 30 June 2014 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Ernst & Young

Certified Public Accountants

Hong Kong

26 August 2014

Condensed Consolidated Income Statement

For the six months ended 30 June 2014

| | | Six months ended 30 June | |
|--|-------|--------------------------|-------------|
| | | 2014 | 2013 |
| | | US\$'000 | US\$'000 |
| | | (Unaudited) | (Unaudited) |
| | Notes | | |
| REVENUE | 3 | 193,886 | 201,941 |
| Cost of sales | | (141,298) | (149,449) |
| Gross profit | | 52,588 | 52,492 |
| Other income, gains, losses and expenses | | 1,402 | 8,229 |
| Distribution costs | | (9,646) | (10,040) |
| Sales and marketing expenses | | (18,945) | (20,516) |
| Administrative expenses | | (16,773) | (19,675) |
| Finance costs | | (1,303) | (1,190) |
| Impairment loss on available-for-sale investment | | 7,323 | 9,300 |
| | | - | (3,528) |
| PROFIT BEFORE TAX | 4 | 7,323 | 5,772 |
| Income tax expense | 5 | (1,911) | (1,549) |
| PROFIT FOR THE PERIOD | | 5,412 | 4,223 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 7 | | |
| - Basic (in US cents) | | 0.178 | 0.139 |
| - Diluted (in US cents) | | 0.178 | 0.139 |

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2014 US\$'000 (Unaudited) | 2013 US\$'000 (Unaudited) |
| PROFIT FOR THE PERIOD | 5,412 | 4,223 |
| OTHER COMPREHENSIVE INCOME/(EXPENSE): | | |
| <i>Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences arising on translation of foreign operations | (3,891) | 2,476 |
| Fair value loss of available-for-sale investment | - | (3,528) |
| Reclassification adjustment for losses included in condensed consolidated statement of profit or loss upon impairment of available-for-sale investment | - | 3,528 |
| OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX | (3,891) | 2,476 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 1,521 | 6,699 |

Condensed Consolidated Statement of Financial Position

At 30 June 2014

| | | 30 June 2014 US\$'000 (Unaudited) | 31 December 2013 US\$'000 (Audited) |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 117,202 | 123,980 |
| Investment properties | | 8,714 | 8,831 |
| Prepaid land lease payments – non-current portion | | 10,848 | 11,235 |
| Goodwill | | 11,475 | 11,475 |
| Other intangible assets | | 1,669 | 1,669 |
| Deposits paid for purchase of properties | | 9,827 | 4,141 |
| Cash surrender value of life insurance | | 966 | 1,295 |
| Deferred tax assets | | 3,995 | 4,197 |
| Total non-current assets | | 164,696 | 166,823 |
| CURRENT ASSETS | | | |
| Inventories | | 103,472 | 102,274 |
| Trade and other receivables | 9 | 96,865 | 88,519 |
| Prepaid land lease payments – current portion | | 318 | 324 |
| Held-for-trading investments | 10 | 197,489 | 171,280 |
| Derivative financial instruments | | 221 | 2,524 |
| Pledged bank deposits | | 3,889 | 10,872 |
| Short term bank deposits | 11 | 88,362 | 32,665 |
| Cash and cash equivalents | 11 | 37,318 | 109,941 |
| Total current assets | | 527,934 | 518,399 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 51,625 | 48,110 |
| Tax payable | | 5,637 | 7,486 |
| Derivative financial instruments | | 5,682 | 4,372 |
| Interest-bearing bank borrowings | 13 | 121,367 | 100,069 |
| Total current liabilities | | 184,311 | 160,037 |
| NET CURRENT ASSETS | | 343,623 | 358,362 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 508,319 | 525,185 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowing | 13 | 5,446 | – |
| Deferred compensation | | 1,012 | 1,295 |
| Deferred tax liabilities | | 2,876 | 2,868 |
| Total non-current liabilities | | 9,334 | 4,163 |
| Net assets | | 498,985 | 521,022 |
| EQUITY | | | |
| Issued capital | 14 | 152,180 | 152,180 |
| Reserves | | 346,805 | 368,842 |
| Total equity | | 498,985 | 521,022 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

| | Issued capital US\$'000 | Share premium US\$'000 | Capital redemption reserve US\$'000 | Share option reserve US\$'000 | Merger reserve US\$'000 | Statutory reserve US\$'000 | Exchange reserve US\$'000 | Investment revaluation reserve US\$'000 | Retained profits US\$'000 | Total US\$'000 |
|--|-------------------------------|------------------------------|--|--|-------------------------------|----------------------------------|---------------------------------|--|---------------------------------|-------------------|
| At 1 January 2014 (audited) | 152,180 | 185,388 | 1,012 | 648 | 1,581 | 1,174 | 58,800 | - | 120,239 | 521,022 |
| Profit for the period | - | - | - | - | - | - | - | - | 5,412 | 5,412 |
| Other comprehensive expense for the period: | | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | - | (3,891) | - | - | (3,891) |
| Total comprehensive income/ (expense) for the period | - | - | - | - | - | - | (3,891) | - | 5,412 | 1,521 |
| Dividend recognised as distribution | - | - | - | - | - | - | - | - | (23,558) | (23,558) |
| At 30 June 2014 (unaudited) | 152,180 | 185,388 | 1,012 | 648 | 1,581 | 1,174 | 54,909 | - | 102,093 | 498,985 |
| At 1 January 2013 (audited) | 152,180 | 185,388 | 1,012 | 642 | 1,581 | 1,174 | 52,975 | - | 159,228 | 554,180 |
| Profit for the period | - | - | - | - | - | - | - | - | 4,223 | 4,223 |
| Other comprehensive income/ (expense) for the period: | | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | - | 2,476 | - | - | 2,476 |
| Fair value loss of available-for-sale investment | - | - | - | - | - | - | - | (3,528) | - | (3,528) |
| Reclassification adjustment for losses included in condensed consolidated statement of profit or loss upon impairment of available-for-sale investment | - | - | - | - | - | - | - | 3,528 | - | 3,528 |
| Total comprehensive income for the period | - | - | - | - | - | - | 2,476 | - | 4,223 | 6,699 |
| Recognition of equity-settled share-based payments | - | - | - | 3 | - | - | - | - | - | 3 |
| Dividend recognised as distribution | - | - | - | - | - | - | - | - | (31,368) | (31,368) |
| At 30 June 2013 (unaudited) | 152,180 | 185,388 | 1,012 | 645 | 1,581 | 1,174 | 55,451 | - | 132,083 | 529,514 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2014 US\$'000 (Unaudited) | 2013 US\$'000 (Unaudited) |
| Net cash flows used in operating activities | (24,808) | (43,477) |
| Release of short term bank deposits | 32,313 | 44,397 |
| Interest received | 6,568 | 6,770 |
| Proceeds from disposal of property, plant and equipment | 9 | 354 |
| Withdrawal of pledged bank deposits | 6,983 | – |
| Placement of short term bank deposits | (88,211) | – |
| Placement of pledged bank deposits | – | (2,114) |
| Purchase of property, plant and equipment | (1,418) | (4,326) |
| Deposits for acquisition of property, plant and equipment | (5,683) | (1,418) |
| Net cash flows (used in)/from investing activities | (49,439) | 43,663 |
| Repayment of bank borrowings | (135,680) | (26,173) |
| Dividend paid | (23,558) | (31,368) |
| Interest paid | (1,303) | (1,190) |
| New bank borrowings raised | 162,425 | 76,556 |
| Net cash flows from financing activities | 1,884 | 17,825 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (72,363) | 18,011 |
| Cash and cash equivalents at the beginning of period | 109,941 | 99,521 |
| Effect of foreign exchange rate changes | (260) | (2,054) |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | 37,318 | 115,478 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. Basis of Preparation

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

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

2. Significant Accounting Policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the first time for the current period's condensed consolidated financial statements.

| | |
|--|--|
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> |
| HKAS 32 Amendments | Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> |
| HKAS 36 Amendments | Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> |
| HKAS 39 Amendments | Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> |
| HK(IFRIC)-Int 21 | <i>Levies</i> |

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

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

For the six months ended 30 June 2014

3. Segmental Information

For the purposes of resources allocation and performance assessment, the Group's executive directors review the operating results and financial information on a brand by brand basis. They focus on the operating 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 tax of US\$23,998,000 (six months ended 30 June 2013: US\$21,936,000) represents the profit before tax earned by the single reportable segment excluding administrative expenses, other income, gains, losses and expenses and finance costs.

4. Profit Before Tax

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2014 US\$'000 (Unaudited) | 2013 US\$'000 (Unaudited) |
| The Group's profit before tax is arrived at after charging/(crediting): | | |
| (Reversal of)/written down of inventories to net realisable value | (98) | 398 |
| Depreciation of investment properties | 117 | 118 |
| Depreciation of items of property, plant and equipment | 6,216 | 7,582 |
| Impairment loss of trade receivables | 369 | 264 |
| Impairment loss of available-for-sale investment | – | 3,528 |
| Net gain on derivative financial instruments | (1,737) | (1,935) |
| Net (gain)/loss on held-for-trading investments | (4,934) | 580 |
| Loss on disposal of items of property, plant and equipment | 43 | 39 |
| Amortisation of land lease payments | 160 | 166 |
| Bank interest income | (2,200) | (3,697) |

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

For the six months ended 30 June 2014

5. Income Tax

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2014 US\$'000 (Unaudited) | 2013 US\$'000 (Unaudited) |
| Tax charge comprises: | | |
| Current tax | | |
| The United States of America (the "U.S.") – income tax | | |
| Current period | 1,700 | 1,257 |
| Deferred tax | 211 | 292 |
| Total tax charge for the period | 1,911 | 1,549 |

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

6. Dividend

During the six months ended 30 June 2014, a final dividend of HK\$0.06 per share, amounting to approximately HK\$182,617,000 in aggregate (equivalent to approximately US\$23,558,000 in aggregate), for the year ended 31 December 2013 was paid to the shareholders of the Company.

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

The Board has resolved that an interim dividend of HK\$0.06 (six months ended 30 June 2013: HK\$0.06) per share amounting to approximately HK\$182,617,000 in aggregate, equivalent to approximately US\$23,412,000 in aggregate for the six months ended 30 June 2014 (six months ended 30 June 2013: approximately HK\$182,617,000 in aggregate, equivalent to approximately US\$23,540,000 in aggregate) be paid to the shareholders of the Company whose names appear on the register of members on 15 September 2014.

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

For the six months ended 30 June 2014

7. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2014 US\$'000 (Unaudited) | 2013 US\$'000 (Unaudited) |
| Profit for the period and earnings for the purpose of basic and diluted earnings per share | 5,412 | 4,223 |
| | Number of shares | Number of shares |
| Weighted average number of shares for the purpose of basic earnings per share | 3,043,609,773 | 3,043,609,773 |
| Effect of dilutive potential ordinary shares: Share options | 1,227,670 | 2,814,173 |
| Weighted average number of shares for the purpose of diluted earnings per share | 3,044,837,443 | 3,046,423,946 |

8. Movements in Property, Plant and Equipment

During the period, the Group acquired items of property, plant and equipment of US\$1,418,000. In addition, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of US\$52,000 for cash proceeds of US\$9,000, resulting in a loss on disposal of US\$43,000.

9. Trade and Other Receivables

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

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

| | 30 June 2014 US\$'000 (Unaudited) | 31 December 2013 US\$'000 (Audited) |
|-----------------------------------|--|--|
| Trade receivables: | | |
| 0 – 30 days | 40,258 | 41,615 |
| 31 – 60 days | 23,898 | 20,748 |
| Over 60 days | 15,849 | 12,300 |
| Other receivables and prepayments | 80,005 16,860 | 74,663 13,856 |
| | 96,865 | 88,519 |

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

For the six months ended 30 June 2014

10. Held-for-trading Investments

| | 30 June 2014 US\$'000 (Unaudited) | 31 December 2013 US\$'000 (Audited) |
|--|--|--|
| Debt securities, at fair value: | | |
| Listed in the U.S. with fixed interest of: | | |
| – 2.60% to 7.63% and maturity from July 2014 to September 2021 | 51,812 | – |
| – zero coupon rate (with guaranteed yield to maturity) to 6.13% and maturity from March 2014 to November 2017 | – | 51,488 |
| Listed in Hong Kong with fixed interest of: | | |
| – 1.40% to 4.63% and maturity from December 2014 to February 2024 | 31,586 | – |
| – 1.40% to 6.25% and maturity from April 2016 to August 2018 | – | 32,384 |
| Listed in Singapore with fixed interest of: | | |
| – 2.50% to 6.38% and maturity from September 2014 to July 2022 | 55,246 | – |
| – 2.63% to 7.63% and maturity from May 2016 to April 2019 | – | 24,222 |
| Listed in U.K. with fixed interest of: | | |
| – 3.20% to 10.18% and maturity from November 2015 to January 2022 | 11,326 | 10,300 |
| Listed in other jurisdictions with fixed interest of: | | |
| – 2.95% to 5.25% and maturity from August 2014 to May 2022 | 22,914 | – |
| – 1.80% to 5.25% and maturity from January 2014 to May 2017 | – | 20,095 |
| Others | 24,605 | 32,791 |
| | 197,489 | 171,280 |

The above investments at 30 June 2014 and 31 December 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.

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

For the six months ended 30 June 2014

11. Short Term Bank Deposits/Cash and Cash Equivalents

At 30 June 2014, cash and cash equivalents are cash and bank balances with an original maturity of three months or less of US\$37,318,000 (31 December 2013: US\$109,941,000).

Included in short term bank deposits are deposits placed in banks of US\$88,362,000 (31 December 2013: US\$32,665,000) with an original maturity of more than three months up to twelve months.

12. Trade and Other Payables

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

| | 30 June 2014 US\$'000 (Unaudited) | 31 December 2013 US\$'000 (Audited) |
|-----------------------------|--|--|
| Trade payables: | | |
| 0 – 30 days | 13,307 | 12,071 |
| 31 – 60 days | 3,716 | 4,696 |
| Over 60 days | 2,484 | 2,209 |
| | 19,507 | 18,976 |
| Other payables and accruals | 32,118 | 29,134 |
| | 51,625 | 48,110 |

13. Interest-bearing Bank Borrowings

During the period, the Group obtained new bank borrowings amounting to US\$162,425,000 (six months ended 30 June 2013: US\$76,556,000). The major borrowings are repayable within one year and carry either fixed rates ranging from 0.67% to 1.01%, or floating rate at effective rate of 1.88%. Non-current portion bank borrowing is repayable over one year and carry floating rate at effective rate of 1.88%. The proceeds were used for general working capital purposes.

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

For the six months ended 30 June 2014

14. Share Capital

| | Number of shares | Nominal value US\$'000 |
|--------------------------------------|------------------|---------------------------|
| Ordinary shares of US\$0.05 each | | |
| Authorised: | | |
| At 31 December 2013 and 30 June 2014 | 6,000,000,000 | 300,000 |
| Issued and fully paid: | | |
| At 31 December 2013 and 30 June 2014 | 3,043,609,773 | 152,180 |

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

15. Capital Commitments

| | 30 June 2014 US\$'000 (Unaudited) | 31 December 2013 US\$'000 (Audited) |
|--|--|--|
| Capital expenditure in respect of acquisition of items of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements | 2,842 | 5,691 |

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

For the six months ended 30 June 2014

16. 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:

As at 30 June 2014

Financial assets

| | Financial assets at fair value through profit or loss | | | Total US\$'000 |
|--|---|------------------------------|-----------------------------------|-------------------|
| | Designated as such upon initial recognition US\$'000 | Held for trading US\$'000 | Loans and receivables US\$'000 | |
| Cash surrender value of life insurance | 966 | – | – | 966 |
| Trade receivables | – | – | 80,005 | 80,005 |
| Financial assets included in prepayments, deposits and other receivables | – | – | 16,860 | 16,860 |
| Held-for-trading investments | – | 197,489 | – | 197,489 |
| Derivative financial instruments | – | 221 | – | 221 |
| Pledged bank deposits | – | – | 3,889 | 3,889 |
| Short term bank deposits | – | – | 88,362 | 88,362 |
| Cash and cash equivalents | – | – | 37,318 | 37,318 |
| | 966 | 197,710 | 226,434 | 425,110 |

Financial liabilities

| | Financial liabilities at fair value through profit or loss | | Total US\$'000 |
|---|--|---|-------------------|
| | Held for trading US\$'000 | Financial liabilities at amortised cost US\$'000 | |
| Trade payables | – | 19,507 | 19,507 |
| Financial liabilities included in other payables and accruals | – | 32,118 | 32,118 |
| Derivative financial instruments | 5,682 | – | 5,682 |
| Interest-bearing bank borrowings | – | 126,813 | 126,813 |
| | 5,682 | 178,438 | 184,120 |

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

For the six months ended 30 June 2014

16. Financial Instruments by Category (continued)

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

As at 31 December 2013

Financial assets

| | Financial assets at fair value through profit or loss | | | Total US\$'000 |
|---|--|---------------------------------|--------------------------------------|-------------------|
| | Designated as such upon initial recognition US\$'000 | Held for trading US\$'000 | Loans and receivables 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-trading 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 | | Total US\$'000 |
|--|---|--|-------------------|
| | Held for trading US\$'000 | Financial liabilities at amortised cost 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 |

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

For the six months ended 30 June 2014

17. 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, 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 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.

Fair Value Hierarchy

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

Assets measured at fair value:

| | Fair value measurement using | | |
|--|--|--|-------------------|
| | Quoted prices in active markets (Level 1) US\$'000 | Significant observable inputs (Level 2) US\$'000 | Total US\$'000 |
| As at 30 June 2014 | | | |
| Held-for-trading investments | 180,946 | 16,543 | 197,489 |
| Derivative financial instruments | – | 221 | 221 |
| Cash surrender value of life insurance | – | 966 | 966 |
| | 180,946 | 17,730 | 198,676 |
| 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 |

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

For the six months ended 30 June 2014

17. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair Value Hierarchy (continued)

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

Liabilities measured at fair value:

| | Fair value measurement using significant observable inputs (Level 2) US\$'000 |
|----------------------------------|--|
| As at 30 June 2014 | |
| Derivative financial instruments | 5,682 |
| Deferred compensation | 1,012 |
| | <hr/> |
| As at 31 December 2013 | |
| Derivative financial instruments | 4,372 |
| Deferred compensation | 1,295 |
| | <hr/> |

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

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

For the six months ended 30 June 2014

18. Related Party Transactions

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

| Name of related company | Nature of transaction | Six months ended 30 June | |
|-------------------------|-----------------------------|---------------------------------|---------------------------------|
| | | 2014 US\$'000 (Unaudited) | 2013 US\$'000 (Unaudited) |
| Samson Global Co., Ltd. | Rental charged to the Group | 20 | 20 |

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

Compensation of key management personnel

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

| | Six months ended 30 June | |
|---------------------|---------------------------------|---------------------------------|
| | 2014 US\$'000 (Unaudited) | 2013 US\$'000 (Unaudited) |
| Short term benefits | 1,007 | 998 |

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

19. Approval of the Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2014.