Samson Holding

Samson Holding Ltd.
順誠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 531.hk)

2023
ANNUAL REPORT

* for identification purpose only

Lacquer Craft | UNIVERSAL EXPLORE HOME | LEGACY CLASSIC | MODERN | CRAFTMASTER FURNITURE | MIRANDA KERR HOME

COASTAL LIVING HOME COLLECTION | PAULA DEEN Home | LEGACY KIDS | TEENS | Baker McGUIRE | LACQUERCRAFT HOSPITALITY

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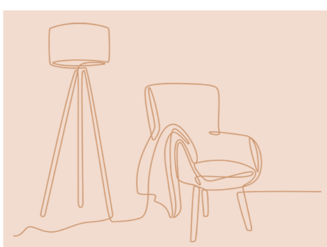
CORPORATE PROFILE

Since its establishment in 1995, Samson Group, including Samson Holding Ltd. (the "Company") and its subsidiaries (collectively, 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."). We currently own a wide range of our furniture products through a portfolio of brand names including Universal Furniture, Legacy Classic Furniture, Legacy Classic Kids, Craftmaster Furniture, Baker, Milling Road, McGuire, LacquerCraft Hospitality and Universal Furniture China, and licensed with Paula Deen, Miranda Kerr, Nina Magon and Coastal Living in the U.S..

In May 2016, we have successfully acquired Grand Manor Furniture Inc., a Lenoir North Carolina U.S. based manufacturer established in 1960s which specialises in hospitality seating design and manufacturing. Its major customers include but not limited to Marriott, Hilton, Grand Hyatt and Western hotel chains. In February 2017, we have successfully acquired Baker Interiors Group, LTD. *(formerly known as Kohler Interiors Group, LTD.)* and its subsidiaries (collectively referred to as "BIG"), which owns three global luxury furniture brands, namely, "Baker", "Milling Road" and "McGuire", each with a history of leading design, quality and craftsmanship. BIG sells its products through showrooms in North America, England, and France, and furniture dealer locations across the U.S., Europe, Asia and the Middle East. BIG maintains relationships with interior designers who recommend the products to consumers worldwide.

Our team of experienced executives, employees and sales force, comprising the U.S. market expertise, combining with Vietnam and the People's Republic of China (the "PRC" or "China") manufacturing know-how, creates a globally-integrated products and services logistics platform that brings forth 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 DIRECTOR

Mr. Sheng Hsiung PAN

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

Mr. Kwong Cho SHEUNG

AUTHORIZED REPRESENTATIVES

Ms. Yi-Mei LIU
Mr. Kwong Cho SHEUNG

REGISTERED OFFICE

Grand Pavilion
Hibiscus Way
802 West Bay Road
P.O. Box 31119, KY1-1205
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.lacquercrafthospitality.com/
https://www.bakerfurniture.com/

PRINCIPAL PLACES OF BUSINESS

Vietnam:

6th Road Tam Phuoc Industrial Zone
Bien Hoa City, Dong Nai Province Vietnam

China:

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

Unit 1007, 10th Floor, Haleson Building
1 Jubilee Street, Central
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.

1 Baker Way
Connelly Springs, NC 28612
U.S.A.

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

CTBC Bank
UBP Bank
DBS Bank
Fubon Bank
Cathy United Bank

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

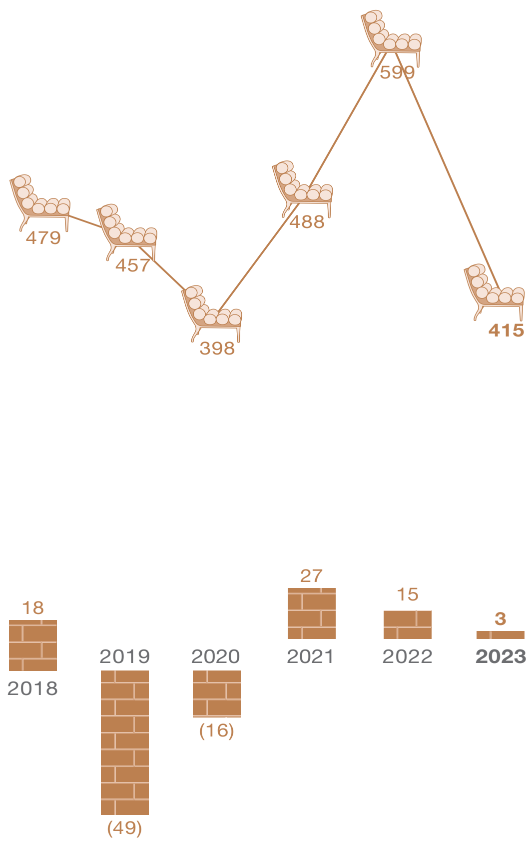
Hong Kong Branch:

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

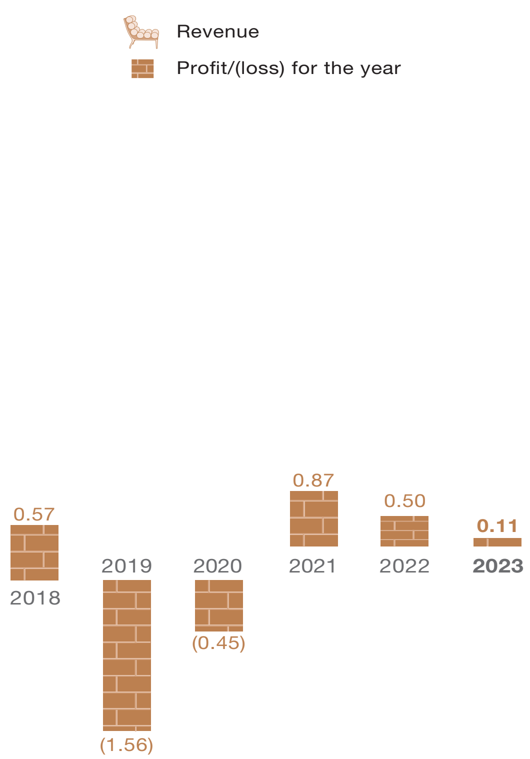
	2023 US$'000	2022 US$'000	2023 HK$'000*	2022 HK$'000*
Operating results				
Revenue	**414,539**	598,850	**3,233,404**	4,671,030
Earnings before interest and tax	**14,723**	27,357	**114,839**	213,385
Profit for the year	**3,288**	15,125	**25,646**	117,975
Earnings per share attributable to ordinary equity holders of the parent *(US/HK cent)*	**0.11**	0.50	**0.86**	3.90
Financial position				
Total assets	**531,951**	616,376	**4,149,218**	4,807,733
Net current assets	**137,085**	162,768	**1,069,263**	1,269,590
Shareholders' equity	**314,599**	315,367	**2,453,872**	2,459,863

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

Revenue & profit/(loss) for the year
(US$ MN)



Earnings/(loss) per share attributable to ordinary equity holders of the parent
(US cent)



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

On behalf of the board (the "Board") of directors (the "Directors" and each a "Director") of the Company, I am pleased to present to the shareholders of the Company (the "Shareholders") the annual results of the Company and its subsidiaries for the year ended 31 December 2023.

RESULTS

Our turnover was US$414.5 million in 2023, representing a 30.8% decrease over the year of 2022. Gross profit margin was recorded at 25.9% in 2023, with a gross profit of US$107.2 million as compared to US$152.5 million in 2022; and a profit for the year of the Group was US$3.3 million, compared to a profit of US$15.1 million in 2022.

BUSINESS DEVELOPMENT AND OUTLOOK

This past year, 2023, presented a mix of challenges and opportunities as the global landscape continued to evolve and the market started recovering post-pandemic. Samson skillfully steered through the challenges by emphasizing operational efficiency and smarter cost management. This year served as a key moment for us to refine our inventory strategy, significantly boosting our liquidity and laying a strong foundation for substantial growth ahead. Despite the ups and downs of interest rates affecting the U.S. housing and, by extension, the home furnishings market, Samson stood firm. We took a deep dive into understanding market needs, ensuring our diverse range of products. The travel industry's comeback opened new avenues for our hospitality arm, encouraging us to sharpen our procurement approach and inventory management to keep backlogs low and prevent overstocking. Eager to ride this wave of demand, we expanded our presence in the hospitality market to capitalize on these fresh opportunities. We doubled down on operational improvements to boost our efficiency across every aspect of the business. Our strategic partnerships with top shipping companies like Evergreen, Yang Ming, Wan Hai, and Cosco paid off, offering us competitive shipping schedules and costs – proof of our strong supply chain management. Undeterred in our commitment to automation and digital enhancements, we pushed our manufacturing and cost management to new heights. At the same time, we widened our marketing strategies and diversified our sales channels to increase our market reach and ensure our customers always receive top-notch value and service. Looking ahead, our determination to stay agile and responsive to market changes, while fully leveraging our strengths, forms the core of our strategy to drive growth in every area of our business.

Here is the progress made on our principal strategies:

1. **Score sustainable growth via diversified brands with focus on hospitality**

   In 2023, Samson's comprehensive brand portfolio, spanning from mid to higher price points across various categories including casegoods, upholstery, and hospitality, demonstrated resilience and organic growth despite market fluctuations. Our commitment to product development, aligned with evolving consumer preferences, and strategic investments in the hospitality sector to capitalize on the tourism industry's rebound, underscored our revenue growth strategy.

2. **Reach out to wide base of customers through diversified sales channel**

   Our multi-channel strategy, encompassing e-commerce, designer channels, showrooms, and hospitality, continued to fuel growth. Strategic expansions and partnerships in online retailing have yielded significant e-commerce gains, while our designer channels have shown robust development and potential. The recovery phase post-COVID-19 is expected to rejuvenate offline demand, complementing our performance across mass merchant channels.

3. Enhancing efficiency and global standardization

Samson has built a globalized supply chain to maximize cost efficiency with strong global sourcing capabilities. With factories in Vietnam, the U.S., Bangladesh and Indonesia, Samson has been able to improve production capabilities and cost controls to cope with geopolitical instabilities. We have also strengthened the investment in the standardization and automation of manufacturing process to enhance overall capacity. In view that our current production capacity would be sufficient to meet market demand, the plan for a new factory in Vietnam has been delayed until after 2024.

4. Shareholders' value and corporate governance

Samson's management is dedicated to creating shareholder value by prioritizing their best interests. The company will continue to focus on optimizing quality, improving efficiency, increasing automation, expanding the customer base, and enhancing market penetration. We aim to adapt and thrive in today's business environment to achieve solid growth and sustainable margins. Additionally, we will persist in working with the board and external advisors to enhance transparency and improve corporate governance across the Group.

APPRECIATION

The management team and I look forward to 2024 as Samson continues to make significant progress globally. On behalf of Samson, I would like to express my gratitude to our directors, management team, and employees for their continuous passion and hard work towards the success of the Group. In addition, I would like to extend my sincere thanks to all of our shareholders, customers, suppliers, and business partners for their steadfast support.

Shan Huei KUO
Chairman
20 March 2024

BUSINESS REVIEW

In 2023, the U.S. housing market remained constrained by elevated interest rates, adversely affecting the home furnishing sector. The year 2024 is anticipated to bring a moderate recovery as interest rates begin to stabilize. Samson, with a commitment to fostering a sustainable business model and generating enduring value for both customers and shareholders, has actively engaged in addressing the broad challenges to demand posed by the economic landscape.

Throughout 2023, despite facing headwinds from inflation, tight monetary policies, supply chain issues, and increased freight rates, the Group reported steady performance, with net sales reaching US$414.5 million and a gross profit of US$107.2 million. The Group's diversified brand portfolio has proved resilient amid the market's challenges, receiving solid responses for their innovation and design. Despite facing the reduced market demand of sizable home furniture and the decline in casegoods and upholstery sectors, however with the travel industry's recovery has breathed new life into the hospitality sector. The Group's effective inventory management and cost-reduction initiatives have positioned the Group to capitalize on this revival, maintaining our competitive edge and navigating the dynamic market conditions effectively. The Group is dedicated to continuous product innovation, expanding market reach, and ensuring sustainable, organic growth, underpinned by the strategic adjustments made in 2023.

In the face of challenges within the U.S. furniture industry, Samson has prioritized strategic cost management and operational efficiency. The "reset" year of 2023 marked a significant phase for the Group, as we adjusted our inventory levels, greatly improving our cash flow and laying the groundwork for substantial growth. During this period of strategic realignment, the Group successfully reduced its inventory from US$161.8 million at the end of December 2022 to US$115.2 million by the end of 2023, all while preserving its profit margins a slightly increased. In terms of the supply chain, it has largely normalized concerning ocean freight costs, lead times, and materials, although labor rates remain high, the increases have been offset by efficiency improvements. Our proactive partnerships with key carriers such as Evergreen, Yang Ming, Wan Hai, and Cosco have ensured optimal shipping schedules and costs, underscoring our commitment to efficient supply chain management.

In 2024, the Group's dedication to operational efficiency and cost management, driven by our multi-brand, multi-channel strategy, remains a top priority. We are wholeheartedly committed to driving continuous product innovation, exploring new customer segments, expanding our market reach, and ensuring sustainable, organic growth. This approach is shaped by a prudent outlook and strategic adjustments made in 2023, including inventory optimization and seizing growth opportunities in the hospitality sector and beyond. Building on this foundation, the Designer Channel has shown steady growth throughout 2023, illustrating the effectiveness of our strategies across diverse sectors. Additionally, e-commerce business keep steady growth. With a focus on enhancing all channels in 2024, we've ensured that each company has a competent team in place to drive their respective business forward. These concerted efforts position the Group for further success in the dynamic market landscape.

Save as disclosed in this annual report, there have been no important events affecting the Group which have occurred since 31 December 2023.

FINANCIAL REVIEW

Net sales for the year was US$414.5 million compared to US$598.9 million in 2022, a decrease of US$184.4 million or 30.8%. Decrease in net sales was mainly attributable to decrease in demand of sizable home furniture in the U.S. due to continuous decline in housing market in 2023.

Gross profit for the year was US$107.2 million, a decrease of US$45.3 million from US$152.5 million in 2022. Gross profit margin slightly increased to 25.9% from 25.5% in 2022.

Compared with US$134.7 million in 2022, total operating expenses were recorded at US$116.3 million in 2023. The decrease in operating expenses was mainly attributable to decreased variable expenses in sales and marketing and administrative as well as personnel cost and cost control measures with the decrease in sales.

Compared with a profit of US$15.1 million in 2022, the Group recorded a profit of US$3.3 million in 2023. The decrease in profit was mainly in line with the decrease of sales.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group's cash and cash equivalents decreased by US$3.5 million to US$55.2 million from US$58.7 million as at 31 December 2022. Total interest-bearing bank borrowings decreased from US$199.7 million as at 31 December 2022 to US$127.2 million as at 31 December 2023. The corresponding gearing ratio (total bank borrowings/shareholders' equity) decreased from 63.3% as at 31 December 2022 to 40.4% as at 31 December 2023. The Group's financial position remains solid and possesses sufficient available banking facilities to meet working capital requirements and to expand its business.

Cash and cash equivalents held by the Group are mainly denominated in the U.S. Dollars ("US$"), Renminbi, British Pound Sterling, Vietnamese Dong, New Taiwan Dollars, Indonesian Rupiah and Hong Kong Dollars. As at 31 December 2023, short term bank borrowings of US$124.9 million (31 December 2022: US$161.8 million) bore interest at either the floating rates or fixed rate ranging from 2.4% to 6.9% respectively and long term bank borrowing of US$2.3 million (31 December 2022: US$37.9 million) bore interest at the fixed rate 1.0%.

Sources of liquidity include cash and cash equivalents, cash from operations and general banking facilities granted to the Samson, allowing the Group to maintain strong and prudent liquidity for day-to-day operations and business development.

With an international operation, Samson is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Vietnamese Dong. Although the majority of the total revenue is denominated in the U.S. Dollars, a substantial portion of cost of sales is paid in Vietnamese Dong. The exchange rates of Vietnamese Dong to the U.S. Dollars have fluctuated substantially in recent years and may continue to fluctuate in the foreseeable future.

The Group's current assets decreased by 18.3% to US$335.0 million from US$409.9 million as at 31 December 2022 and the Group's current liabilities decreased by 19.9% to US$197.9 million from US$247.2 million as at 31 December 2022. The current ratio (current assets/current liabilities) is 1.7 times (31 December 2022: 1.7 times).

PLEDGE OF ASSETS

As at 31 December 2023, certain of the Group's property, plant and equipment and investment properties with an aggregate carrying amount of US$18.2 million (31 December 2022: certain of the Group's property, plant and equipment, investment properties, inventories and trade and other receivables with aggregate amount of US$84.7 million) have been pledged to a bank to secure the general banking facility granted to the Group.

CAPITAL EXPENDITURE

Capital expenditures for the year ended 31 December 2023 amounted to US$8.3 million compared to US$8.4 million in 2022. Capital expenditure was mainly incurred for the purpose of upgrading and renovation of plant and machinery in Vietnam.

CONTINGENT LIABILITY

As at 31 December 2023, the Group has contingent liability arising from the recall arrangement (the "Recall Arrangement") in relation to a product recall in the U.S. in 2022, of which the accumulated quantity sold was approximately 5,100 units. According to the Recall Arrangement, consumers who purchased that product can return for a full refund, and the maximum amount of refunds estimated by the Group's management is approximately US$3.6 million. The Group's management assessed that the estimated total refund amount is not significant based on the number of the products returned as of the date of the consolidated financial statements.

SIGNIFICANT INVESTMENTS

During the year ended 31 December 2023, there were no significant investments held by the Company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group for the year ended 31 December 2023.

OUTLOOK

As we advance into 2024, Samson is well-prepared to harness the positive shifts in global supply chain dynamics and the significant recovery momentum within the U.S. hospitality sector, poised for a robust comeback. Our strategic foresight in 2023, including adjustments to inventory levels and strengthening partnerships with major carriers positions us well for the anticipated high single-digit growth in 2024. This growth is underpinned by our expectation that market interest rates will gradually decelerate from current high levels, alongside continued robust performance in the premium segments of casegoods and upholstery as well as hospitality and mass merchant business, reflecting our adaptability and strategic planning.

Our focus for the year ahead centers on expanding our market presence across all sales channels and reinforcing our commitment to innovation, customer engagement, and operational excellence. By leveraging our diversified brand portfolio, streamlining operations, and continuing our pursuit of excellence, we are poised for sustained, organic growth. Our agile response to market demands, coupled with a relentless focus on delivering value and service excellence to our customers, will drive Samson's success in 2024 and beyond, affirming our leadership position in the industry.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2023, the Group employed approximately 4,700 (31 December 2022: 6,100) full-time employees in Vietnam, the U.S., the PRC, Taiwan, Bangladesh and Indonesia. For the year ended 31 December 2023, the total remuneration of employees (including the remuneration of the Company's Directors) was approximately US$102.0 million (31 December 2022: US$121.0 million).

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 achieve 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 Board with the recommendation of the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Saved as disclosed in the note 8 to the financial statements of this annual report, there were (i) no amounts paid during the financial year or receivable by Directors as an inducement to join or upon joining the Company; and (ii) no compensation paid during the financial year or receivable by Directors or past directors for the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group distinguishing between contractual and other payments.

Saved as disclosed in the note 9 to the financial statements of this annual report, there were (i) no bonuses paid or receivable by the five highest paid employees which are discretionary or are based on the Company's, the Group's or any member of the Group's performance; (ii) amounts paid during the financial year or receivable by the five highest paid employees as an inducement to join or upon joining the Company; and (iii) compensation paid during the financial year or receivable by the five highest paid employees for the loss of any office in connection with the management of the affairs of any member of the Group distinguishing between contractual payments and other payments.

EXECUTIVE DIRECTORS

Shan Huei KUO, also known as Samuel Kuo, aged 68, is an Executive Director of the Company and chairman of the Board since 11 July 2005, chairman of the nomination committee of the Board (the "Nomination Committee") and chief executive officer of Lacquer Craft Manufacturing Co., Ltd. (Zhejiang) ("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 30 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.

Mr. Kuo is also a director of Advent Group Limited and Magnificent Capital Holding Limited, the substantial and controlling Shareholders.

Yi-Mei LIU, also known as Grace Liu, aged 66, is an Executive Director of the Company and the 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 30 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.

Ms. Liu is also a director of Advent Group Limited and Magnificent Capital Holding Limited, the substantial and controlling Shareholders.

Pursuant to the statement of disciplinary action of the Stock Exchange against Ms. Liu dated 10 January 2022, the Company made a partial disposal (the "Disposal") of the held-for-trading investment in December 2019, which constituted a major transaction subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company failed to comply with the requirements due to a misinterpretation of the Listing Rules by Ms. Liu. Ms. Liu had also failed to report the Disposal to the Board. Ms. Liu breached Rule 3.08 of the Listing Rules and her undertaking in relation to her failure to procure the Company's Listing Rules compliance with respect to the Disposal. Accordingly, the Listing Committee of the Stock Exchange publicly criticised Ms. Liu and the Company for their respective breaches mentioned above. Further details of the above are disclosed in the Company's announcements dated 16 September 2021 and 10 January 2022.

Mohamad AMINOZZAKERI, also known as Mohamad Amini, aged 63, is an Executive Director of the Company since 24 October 2005. Mr. Aminozzakeri is also a director of Houson International Limited and WG Debt Collections (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 34 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 DIRECTOR

Sheng Hsiung PAN, also known as William Pan, aged 68, is a Non-executive Director of the Company since 24 October 2005 and a member of the audit committee of the Board (the "Audit Committee") and Remuneration Committee of the Board (the "Remuneration Committee"). He is the Chief Executive Officer of Tai Chuan Intelligent Sports Technology (Dong Guan) Co., Ltd, a cue manufacturer. Mr. Pan has over 30 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ming-Jian KUO, also known as Andrew Kuo, aged 62, 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 chairman of Cathay United Bank Co., Ltd. and a Director of Cathay Financial Holding Co., Ltd. (a company listed on Taiwan Stock Exchange Corporation). He also a Non-executive Director of Far East Horizon Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and an Independent Director of Huali Industrial Group Company Limited, a company listed on the Shenzhen Stock Exchange. Mr. Kuo was a Director of Long Chen Paper Co., Ltd. (a company listed on Taiwan Stock Exchange Corporation) from August 2014 to May 2023, and the Chairman of Cathay United Bank (China) Limited from June 2018 to June 2021, and the Chief Executive Officer and a partner of Zoyi Capital Ltd. respectively from January 2013 to June 2017 and from June 2017 to December 2018. Mr. Kuo was the Vice Chairman (in charge of Greater China private equity investment business) and the Senior Advisor of The Blackstone Group (HK) Limited respectively from October 2007 to January 2013 and from January 2013 to March 2018. 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 65, 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 40 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 served as a member of the world council of ACCA from 2002 to 2011. Mr. Lau 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 five other listed companies in Hong Kong: Binhai Investment Company Limited, Embry Holdings Limited, FIH Mobile Limited, TCL Electronics Holdings Limited and IVD Medical Holding Limited. He also serves as Company Secretary of Hung Fook Tong Group Holdings Limited, Yeebo (International Holdings) Limited and Expert Systems Holdings Limited, companies listed in Hong Kong. In addition, Mr. Lau also served as an Independent Non-executive Director of Comba Telecom Systems Holdings Limited, a company listed in both Hong Kong and Singapore, for the period from 1 April 2003 to 29 December 2023. Mr. Lau graduated from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1981.

On 12 May 2021, Securities Futures Commission ("SFC") issued a press release in relation to the proceedings brought by the SFC against China Medical & HealthCare Group Limited ("CMHG") and six individuals who were then directors of CMHG (the "Relevant Directors"), including Mr. Lau, being an independent non-executive director of CMHG at the material time. Mr. Lau was one of the Relevant Directors that was sanctioned and fined for failing to disclose inside information as soon as reasonably practicable. Further details of the above are disclosed in the Company's announcements dated 13 May 2021 and 20 May 2021.

Sui-Yu WU, also known as SY Wu, aged 65, 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 30 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, Tsing 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

Doug JERMYN, aged 60, is Vice President of Operations of Samson Marketing. Mr. Jermyn joined our Group in May 2022. Mr. Jermyn most recently served as of Chief Operating Officer/Vice President of Operations for Theodore Alexander USA, Inc (TAUS). Mr. Jermyn was the first employee hired at TAUS and started the US operations for Theodore Alexander here in the US. Prior to his 13 years with TAUS, Mr Jermyn served in several roles at Universal Furniture and Legacy Classic. Mr. Jermyn also served as Assistant Vice President with First Factors Corporation for 8 years before joining Universal Furniture. Mr. Jermyn has over 30 years of experience in the furniture industry. Mr. Jermyn was awarded a Bachelor of Arts degree in Business Management from Elon University in 1986.

Earl R. WANG, aged 60, is Vice President of Mass Merchandise Division (d.b.a. Samson International) of Samson Marketing. Mr. Wang has previously held the positions of 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 as well as 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.

Universal Furniture

Sean O'CONNOR, aged 49, is President of Universal Furniture. Mr. O'Connor joined our Group in August of 2011 from Rowe Furniture where he was National Sales Manager. He began his career at Universal as VP of Sales overseeing the eastern region, international business, and key accounts. In 2018 he moved to the Senior VP of Sales position overseeing all sales and upholstery merchandising. Mr. O'Connor was the chief merchant and architect for Universals entry into the import upholstery business and the company's acquisition of Southern Furniture in 2019. He obtained a Bachelor of Administration degree in Business from Lenoir Rhyne University, Hickory, North Carolina in 1997.

Tsuan-Chien CHANG, also known as Jeffery Chang, aged 60, 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 20 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.

Legacy Classic

Chris Pelcher, aged 53, is President of Legacy Classic Furniture. Prior to joining our Group, Mr. Pelcher was the founder and President of Lineage Furniture. Mr. Pelcher has been in the furniture industry for over three decades and has experience in all aspects of the furniture business, starting at the ground level as a Retail Furniture Buyer to Executive Vice President and Chief Merchandising Officer of Midwest Furniture. Mr. Pelcher was awarded a Bachelor of Associate degree in Business, Management, and Related Support Services from Nassau Community College in 1992.

Chen-Kun SHIH, aged 53, is Vice President and Chief Financial Officer of Legacy Classic Furniture, Craftmaster Furniture and Grand Manor Furniture. Prior to his current position, Mr. Shih held the same position at Craftmaster Furniture and has more than 18 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 73, 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 39 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.

Craftmaster Furniture, Inc. ("Craftmaster Furniture")

Alex Reeves, aged 59, is President of Craftmaster Furniture and joined our group in September 2022. Mr. Reeves joined us most recently from Sam Moore Furniture where he served as President since 2019. Prior to his tenure with Sam Moore Furniture, Mr. Reeves held the position of Senior Vice President of Sales and Merchandising for Craftmaster Furniture for eleven years. He has previously worked for Hickory Hill Furniture as Vice President of Sales and Precedent Furniture as Chief Operating Officer. Mr. Reeves has over 36 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 59, 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 67, 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 20 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.

LacquerCraft Hospitality

Matthew Dehnert, aged 51, is President of LacquerCraft Hospitality, Inc. Mr. Dehnert joined our group in August 2021. Mr. Dehnert joined us most recently from a custom lighting fabricator iWorks where he served as Director of Strategic Business Development since 2012. Prior to his tenure with iWorks, Mr. Dehnert held the position of VP of Sales and Marketing for Tiger Imports & Appian Textiles, LLC, a soft goods supplier to the hospitality sector. Mr. Dehnert is a graduate of Georgetown University with a BA in History.

Baker Interiors Group

Mike JOLLY, aged 65, is the President of Baker Interiors Group, Ltd.. Mr. Jolly served in various executive positions at Bernhardt, where he was vice president of residential casegoods operations. Mr. Jolly also worked at Thomasville Furniture, where he was senior vice president of supply chain and operations as well as vice president of general production and sourcing manager. Mr. Jolly received a Bachelor of Science degree in Industry Engineering from North Carolina State University in 1979 and has completed additional executive management certificate at Toftrees Armstrong as well as six Sigma Green Belt Certificate. Mr. Jolly was the winner of 2017 ASFD Pinnacle Award in Occasional Tables category.

Ming-Der JUAN, also known as Oscar Juan, aged 50, is Vice President and Chief Financial Officer of Baker Interiors Group, Ltd. Prior to his current position, Mr. Juan held the same position at American Wire Research and has more than 19 years of related working experience in Taiwan, West Africa, India and the U.S.. Mr. Juan began his career at Group IMSA where he served as lead internal auditor responsible for Sarbanes-Oxley compliance review and risk management. Prior to AWR, Mr. Juan served as a controller at Apach Group, India, from 2010 to 2016 responsible for all finance and administrative functions. Mr. Juan obtained a Master degree in Business Administration from Dallas Baptist University in December 2002.

Grand Manor Furniture, Inc.

Michael MOORE, aged 70, is President and Chief Executive Officer of Grand Manor Furniture and has been with the group since the May 2016 acquisition of the company. Mr. Moore brings almost 40 years of experience with some of the leading providers to the hospitality industry. Senior management positions with American of Martinsville, Sealy, Shelby Williams, Charter, and Flexsteel makes him uniquely suited to lead Grand Manor's hospitality focused business. Mr. Moore received a Bachelor of Science degree in Business from the University of North Carolina in 1975 and has completed additional management seminars at Duke University's Fuqua School of Business, the University of Pennsylvania's Wharton School of Business, and the Institute for International Studies & Training in Tokyo.

Lacquer Craft

Yue-Jane HSIEH, also known as Irene Hsieh, aged 53, is Senior Vice President of Finance of the Group and Taiwan country head. Ms. Hsieh is responsible for all of the company's financial functions, including accounting, audit, group treasury and tax, corporate finance and the company's investment portfolios. Ms. Hsieh is also responsible for board secretarial duties and assistant to Chairman Kuo. Prior to joining Samson in 2002, Ms. Hsieh held a management position in investment banking at Yuanta Core Pacific Securities and Sinopac Securities for more than 5 years. Earlier in her career, Ms. Hsieh served as senior-level position in E&Y and auditor in PWC each for 2 years. Her career spans more than 30 years of varied experience in financial management, auditing, investment banking, corporate finance and treasury. Ms. Hsieh obtained a Bachelor of Science degree in Accounting from Tunghai University in 1993.

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 code provisions set out in Part 2 of the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange during the year ended 31 December 2023, save for certain deviations from the code provisions which are explained in the relevant paragraphs in this corporate governance report.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

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 the Shareholders on their stewardship. Matters reserved to the Board for its decision are those affecting the Group's overall strategic policies, financial control, and the Shareholders.

Delegation to Management

The Board has delegated the day-to-day responsibilities to the chief executive officers (the "Chief Executive Officers")/ presidents (the "Presidents") of the Group and their teams and specific responsibilities to the Remuneration Committee, Audit Committee and Nomination Committee. The management will report back to the Board and obtain prior Board approval before making decisions or entering into any commitments on behalf of the Company. The Company reviews the delegation arrangements periodically to ensure the arrangements remain appropriate to the Company.

The Chairman of the Board is Mr. Shan Huei 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, Universal Furniture, Legacy Classic Furniture, Craftmaster Furniture, Baker Interiors Group, LacquerCraft Hospitality and Grand Manor Furniture are Mr. Shan Huei KUO, Mr. Sean O'CONNOR, Mr. Chris Pelcher, Mr. Alex Reeves, Mr. Mike JOLLY, Mr. Matthew Dehnert and Mr. Michael MOORE, respectively. The President of Lacquer Craft is Mr. Mohamad AMINOZZAKERI.

Chairman and Chief Executive Officer

Though Mr. Shan Huei 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. Shan Huei 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 the Shareholders.

Compositions of the Board

As at 31 December 2023, the Board comprised seven Directors, including three executive Directors, namely Mr. Shan Huei KUO (Chairman), Ms. Yi-Mei LIU (Deputy Chairman) and Mr. Mohamad AMINOZZAKERI, one non-executive Director, namely Mr. Sheng Hsiung PAN and three independent non-executive Directors, namely Mr. Ming-Jian KUO, Mr. Siu Ki LAU and Mr. Sui-Yu WU, with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of Directors are set out on pages 9 to 11 of this annual report. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company.

Mr. Shan Huei 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.

Independence of the Independent Non-Executive Directors

During the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its independent non-executive Directors a written annual confirmation of their independence pursuant to rule 3.13 of the Listing Rules and the Company still considers that each of them is independent in accordance with the Listing Rules.

To provide independent views and input to the Board, the Board has adopted following arrangements: (i) each committee or committee member is authorised to hire outside consultants or experts for independent professional advice at the Company's expense to discharge their responsibilities; and (ii) most of the committee members in each Board committee are independent non-executive Directors. The Board is responsible for reviewing the implementation of such arrangements on an annual basis.

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 AGM of the Company and shall then be eligible for re-election at the meeting.

Each of the Directors (including non-executive Director and independent 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" (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 of all Directors, all Directors have confirmed that they have complied with the Model Code and the Company's Code throughout the year ended 31 December 2023.

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.

BOARD 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 (www.samsonholding.com) and the Stock Exchange's website (www.hkexnews.hk). 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

Remuneration Committee

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 to review the remuneration policy for and the remuneration packages of all Directors and senior management of the Group.

Details of the remuneration of the senior management by band are set out in note 9 to the financial statements for the year ended 31 December 2023.

Audit Committee

The Audit Committee is primarily responsible for monitoring integrity of financial statements, annual reports and accounts as well as half-year reports, reviewing significant financial reporting judgments and the Group's financial controls, internal control and risk management systems as well as effectiveness of the internal audit function, 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, and 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 the financial reporting system, risk management and internal control systems as well as the internal audit function of the Group and was satisfied with the effectiveness of the Group's risk management and internal controls systems.

Nomination Committee

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 make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and assess the independence of the Independent Non-executive Directors in accordance with the criteria prescribed under the Listing Rules.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Nomination Policy and Succession Plan for the Directors and Senior Management that are necessary to complement the corporate strategy and achieve Board diversity as well as succession planning, where appropriate, before making recommendation to the Board.

One Nomination Committee meeting was held in 2023 to review the independence of the independent non-executive Directors and consider the qualifications of the retiring Directors standing for re-election at the AGM as well as review the structure, size and composition and effectiveness of the Board and the committees and the implementation and effectiveness of the Board Diversity Policy.

The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Board Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Nomination Policy and Succession Plan for the Directors and Senior Management which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and where applicable, senior management and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2023, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

DIVERSITY

The Company has adopted a Board Diversity Policy, which sets out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to achieve diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy on an annual basis to ensure its effectiveness.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The company considers its risk management and internal control systems effective and adequate.

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group ("Senior Management"). The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls. The Board acknowledges that the Board is responsible for the risk management and internal control systems and reviewing their effectiveness, and such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has formulated and adopted Risk Management Policy in providing directions in identifying, evaluating and managing significant risks. At least on an annual basis, the Senior Management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

The handling and dissemination of inside information of the Company are strictly controlled to preserve the confidentiality, including but not limited to the following ways:

1. Restrict access to inside information to a limited number of employees on a need-to-know basis;

2. Remind employees who are in possession of inside information to be fully conversant with their obligations to preserve the confidentiality;

3. Ensure appropriate confidentiality agreements are in place when the Company enters into significant negotiations or dealings with third party(ies); and

4. Inside information is handled and communicated by designated persons.

The Board and the senior management of the Company review the safety measures regularly to ensure that the Company's inside information is properly handled and disseminated.

In addition, the Group has engaged an independent professional advisor to review the risk management and internal control systems, as well as the internal audit functions of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. It examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the senior management of the Company. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remedial actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk management and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board has approved the appointment of an independent professional adviser of the Company to conduct a thorough review of and make recommendations to improve the Company's internal controls and to ensure compliance with Chapter 14 of the Listing Rules. The adviser has identified certain internal control deficiencies and made recommendations for improvement. The Company has commenced and will continue with the implementation of the recommendations.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 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.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Number of meetings held
Board	4
Audit Committee	2
Remuneration Committee	1
Nomination Committee	1
Annual General Meeting	1

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)*	4/4	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 Director					
Mr. Sheng Hsiung PAN	4/4	2/2	1/1	N/A	1/1
Independent Non-executive Directors					
Mr. Ming-Jian KUO	4/4	N/A	1/1	1/1	1/1
Mr. Siu Ki LAU	4/4	2/2	N/A	N/A	1/1
Mr. Sui-Yu WU	4/4	2/2	1/1	1/1	1/1

Notes:

1. Apart from regular Board meetings, a meeting between the chairman of the Board and the non-executive Directors (including independent non-executive Directors) of the Company was held during the year.

2. All of the meetings were attended by the Directors themselves, and not by alternate.

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 32 to 36.

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$653,000 and US$241,000 respectively. The non-audit services mainly consist of professional advisory on taxation (US$154,000) and review of interim financial information (US$87,000).

COMPANY SECRETARY

Mr. Kwong Cho SHEUNG of JPG CPA Limited, external service provider, has been engaged as the Company Secretary of the Company. Mr. Sheung confirmed that he has received not less than 15 hours of professional training during the year ended 31 December 2023. 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 AGM, 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 (www.hkexnews.hk) and the Company (www.samsonholding.com) immediately after the relevant Shareholders' meetings.

Putting Forward Proposals at General Meetings

The AGM 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 Act 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 (www.samsonholding.com).

Convening an Extraordinary General Meeting by Shareholders

Pursuant to article 79 of the Company's amended and restated 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 (www.samsonholding.com). The Company also replies the enquiries from Shareholders timely. The Directors host the AGM 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: 13/F, No. 200, Sec. 4, Wen Shin Rd., Taichung, 404 Taiwan R.O.C
(For the attention of the Chief Investor Relations Officer)

Email: investors@lacquercraft.com

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 recognises 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.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness and the Company considers that it facilitated effective communication between the Company and the Shareholders during the year ended 31 December 2023.

The Company has adopted a Dividend Policy on payment of dividends. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

The Directors present the report of Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 1 of the financial statements of this annual report.

BUSINESS REVIEW AND OUTLOOK

A review of the business and the likely future development of the Group as well as an analysis of the Group's performance for the year ended 31 December 2023 are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on the respective pages 4 to 5 and pages 6 to 8 of this annual report which constitute part of this Directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss on page 37 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent in the furniture business industry and some are from external sources. Major risks are summarised below.

(i) The primary market for sales of our products is the U.S. and a decrease in demand for residential furniture in the U.S. and/or change of U.S. economy including consumers spending, housing markets, and even severe weather could adversely affect our results of operations. Our core business is in the residential furniture in the U.S., therefore change in the industry will affect the business significantly.

(ii) The residential furniture industry is subject to fashion trends and consumer tastes, which can change rapidly. Failure to anticipate or respond to changes in consumer tastes and fashion trends in a timely manner could result in a decrease in future sales and profits.

(iii) We compete not only with U.S. furniture companies, but also importers who source furniture from the Southeast Asia. Areas of competition include product designs, production costs, marketing programs, customer services. If we do not respond timely to our competitors, our costs may increase or the consumer demand for our products may decline and so as our revenue and profits.

(iv) The risk exists that negative macroeconomic changes, mainly in the U.S., Vietnam, and China may result in negative changes in the business environment. Slower consumer spending may result in reduced demand for our products, reduced orders from our distributors, order cancellations, higher discounts, increased inventories, lower revenue and margins. In addition, the book of accounts of the Company is prepared in the U.S. Dollars, therefore changes in other currencies will also affect the revenue recognised, as well as margins and other income, etc.

(v) Majority of our products are manufactured by our own manufacturing plants. Upholstery are primarily from our operations in the U.S. Disruption in the supply of raw materials and some key components, skilled labour may cause problems in our supply chain. We have developed long-standing relationships with a number of our suppliers so as to minimise the impact from any supply disruptions and ensure that we can locate alternative suppliers of comparable quality at a reasonable price with limited impact.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

With a vision to become a global leader in the furniture industry, we understand our responsibility is not limited to create a better life at home, also to make the environment a better place for everyone to live in. With various environmental policies and practices established, we strive to minimise the environmental impacts of our production. Through implementing control measures, the level of air pollutants is reduced before emitting into the atmosphere to meet the government standards. We also have proper treatment procedure for managing hazardous waste. To improve resources efficiency, we reuse/recycle waste materials such as wood, and conserve energy such as installing LEDs lighting and educate employees.

The Group's operations are mainly carried out by the Company's subsidiaries in Vietnam and Mainland China while the Company itself is listed on the Stock Exchange. Our establishment and according operations shall comply with the relevant laws and regulations in the U.S., Vietnam, Mainland China and Hong Kong. During the year ended 31 December 2023 and up to the date of this report, we have complied with all the relevant laws and regulations in the above-mentioned jurisdictions.

For more details, please refer to the "Environmental, Social and Governance Report" which has posted on the website of the Stock Exchange.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has maintained a good relationship with its employees, customers and suppliers:

Employees: We recognise the importance of our employees, and strive to fulfil our responsibility by providing a fair and safe workplace for all employees, where they can develop their careers while maintaining a healthy work-life balance.

Customers: It is vital to build up the customers trust on our products and services. To do so, we strive to maintain high product quality and offer safe products to create a better home for our customers. Listening to our customers is also our priority and corresponding systems are set up to handle customers' complaints or inquiries.

Suppliers: Suppliers are the key of product success. We carefully select our suppliers and require them to satisfy certain assessment criteria which are not limited to price, skills level and quality assurance standard, and also to make sure the materials use in production do not have significant adverse impacts to the environment and surrounding communities, and are safe for our consumers. We also require them to sign a probity agreement.

For more details, please refer to the "Environmental, Social and Governance Report" which has posted on the website of the Stock Exchange.

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 112 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2023, the Company's reserves available for distribution to Shareholders were as follows:

	2023	2022
	US$'000	*US$'000*
Share premium	**106,050**	106,050
Contributed surplus	**80,186**	80,186
Accumulated losses	**(25,914)**	(35,407)
	160,322	150,829

Under the Companies Act 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 13 and 14 to the financial statements, respectively.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 26 to the 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 Director

Mr. Sheng Hsiung PAN

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. Shan Huei KUO, Sheng Hsiung PAN and Ming-Jian KUO will retire by rotation pursuant to article 130 of the Articles at the forthcoming AGM. 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 AGM has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 December 2023.

SHARE OPTION SCHEME

Following the expiry on 16 November 2015 of the Company's share option scheme adopted in 2005, the Company has adopted a new share option scheme on 18 May 2016 (the "2016 Share Option Scheme") to attract and incentivise skilled and experienced personnel. The 2016 Share Option Scheme shall be valid and effective for a period of 10 years until 18 May 2026.

During the year ended 31 December 2023, (i) there were no share options were cancelled, lapsed or exercised (2022: Nil); (ii) there was no share option granted (2022: Nil), and the Group did not recognise any share option expense (2022: Nil).

Please refer to Note 27 of the financial statements of this annual report for more information regarding the share option scheme of the Company.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes disclosed above, at no time during the year and at the end of 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 2023, the interests and short positions of the Directors or chief executive in the shares and underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of Part XV 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:

Name of Directors	Capacity	Number of issued Shares held (Long positions)	Percentage of the issued share capital of the Company
Mr. Shan Huei KUO	Interest of corporation controlled by you *(Note)*	2,146,346,773	70.93%
Ms. Yi-Mei LIU	Interest of corporation controlled by you *(Note)*	2,146,346,773	70.93%
Mr. Mohamad AMINOZZAKERI	Beneficial owner	10,000,000	0.33%

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.

Other than as disclosed above, none of the Directors or 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 31 December 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2023, the interests and short positions of the substantial Shareholders and other persons, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to section 336 of Part XV of the SFO were as follows:

Name of substantial Shareholders	Capacity	Number of issued Shares held (Long positions)	Percentage of the issued share capital of the Company
Magnificent Capital Holding Limited	Interest of corporation controlled by you *(Note)*	2,146,346,773	70.93%
Advent Group Limited ("Advent")	Beneficial owner	2,146,346,773	70.93%

Note: 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. Mr. Shan Huei KUO and Ms. Yi-Mei LIU are also the directors of Advent and Magnificent Capital Holding Limited.

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 still considers all of the independent non-executive Directors are independent.

CONNECTED TRANSACTIONS AND CONTINUING 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 related party 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 33 to the financial statements in this annual report.

DIRECTORS’ INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, there were no transaction, arrangement or contract of significance in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, entered into or subsisted at the end of the year or at any time during the year.

Save as disclosed in this annual report, there were (i) no contracts of significance between the Group and a controlling Shareholder or any of its subsidiaries; and (ii) no contracts of significance for the provision of services to Group by a controlling Shareholder or any of its subsidiaries for the year ended 31 December 2023.

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	9%
– five largest customers	19%
– the largest supplier	15%
– five largest suppliers	31%

During the year, none of the Directors, their close associates nor any Shareholders of the Company, which to the knowledge of the Directors, owned more than 5% of the number of the Company’s issued shares 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 the 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 and up to the date of this report.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately US$548,000.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Companies Ordinance (cap. 622) of Hong Kong) for the benefit of the Directors of the Company is currently in force and was in force throughout the year.

The Company has arranged for appropriate insurance cover to protect its Directors from possible legal actions against them.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Company that have occurred since 31 December 2023.

AUDITORS

A resolution for the re-appointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming AGM. There was no change in the auditor of the Company in any of the preceding three years.

On behalf of the Board

Shan Huei KUO
Chairman

20 March 2024

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

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To the shareholders of Samson Holding Ltd.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Samson Holding Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 111, which comprise the consolidated statement of financial position as at 31 December 2023, 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 notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Net realisable value of inventories	
Inventories of US$115,202,000, as included in the consolidated financial statements as at 31 December 2023, was a material balance for the Group. The measurement of which required significant management judgement in determining an appropriate costing basis and assessing if their net realisable values were lower than the carrying amounts of the inventories at the year end. There were also judgements required in determining inventory excess and obsolescence provisions as these were based on forecasted inventory usage and sales. Relevant disclosures are included in notes 3 and 19 to the consolidated financial statements for the year ended 31 December 2023.	Our procedures included: • Attending inventory counts to observe the physical condition of a sample of inventories selected as at year end; • Assessing the inventory excess and obsolescence provision policy and considering management's judgement by comparing it to the historical data; • Testing the inventory ageing and the usage of materials on a sample basis; and • Assessing the net realisable values by comparing the selling prices of the inventory items, on a sample basis, to their carrying amounts.
Impairment of goodwill	
Goodwill, as included in the consolidated financial statements as at 31 December 2023, amounted to US$25,793,000. The determination as to whether goodwill was impaired involved management judgement to estimate the value-in-use of the cash-generating units to which the goodwill was allocated. There were also judgements required in estimating the value-in-use by management that involve an estimate of the expected future cash flows from the cash-generating units and an appropriate discount rate to calculate the present value of the projected cash flows. Relevant disclosures are included in notes 3 and 16 to the consolidated financial statements for the year ended 31 December 2023.	Management prepared discounted cash flow models to perform the impairment assessment. We involved our internal specialists in evaluating the discounted cash flow models, assumptions and key parameters used by management. Our procedures included: • Assessing the historical accuracy of the prior year's assumptions and estimates made by management, as appropriate; • Assessing the reasonableness of management's key assumptions, including growth rates and discount rates used in the discounted cash flow models; • Reperforming management's sensitivity calculations; and • Assessing the adequacy of disclosures on the impairment assessment, specifically the key assumptions that have the most significant effect on the determination of the recoverable amount of goodwill.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chung Chi Ming.

Ernst & Young
Certified Public Accountants
Hong Kong
20 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 US$'000	2022 US$'000
REVENUE	5	**414,539**	598,850
Cost of sales		**(307,319)**	(446,382)
Gross profit		**107,220**	152,468
Other income, gains, losses and expenses	5	**24,067**	9,523
Distribution costs		**(12,623)**	(14,529)
Sales and marketing expenses		**(57,064)**	(67,113)
Administrative expenses		**(46,662)**	(53,064)
Share of (loss)/profit of an associate	18	**(215)**	72
Finance costs	7	**(10,556)**	(7,308)
PROFIT BEFORE TAX	6	**4,167**	20,049
Income tax expense	10	**(879)**	(4,924)
PROFIT FOR THE YEAR		**3,288**	15,125
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
– Basic (in US cent)		**0.11**	0.50
– Diluted (in US cent)		**0.11**	0.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 *US$'000*	2022 *US$'000*
PROFIT FOR THE YEAR	**3,288**	15,125
OTHER COMPREHENSIVE LOSS:		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(183)**	(7,728)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,105**	7,397

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 US$'000	2022 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	76,243	79,513
Investment properties	14	12,556	14,445
Right-of-use assets	15(a)	63,454	69,538
Goodwill	16	25,793	25,793
Other intangible assets	17	4,400	4,400
Investment in an associate	18	1,072	1,287
Deferred tax assets	25	13,244	5,912
Deposits	20	235	–
Long-term bank deposits	22	–	5,567
Total non-current assets		196,997	206,455
CURRENT ASSETS			
Inventories	19	115,202	161,793
Trade and other receivables	20	80,279	104,829
Held-for-trading investments	21	83,559	81,633
Tax recoverable		705	2,992
Cash and cash equivalents	22	55,209	58,674
Total current assets		334,954	409,921
CURRENT LIABILITIES			
Trade and other payables	23	49,257	64,465
Interest-bearing bank borrowings	24	124,866	161,813
Lease liabilities	15(b)	4,478	5,612
Tax payable		19,268	15,263
Total current liabilities		197,869	247,153
NET CURRENT ASSETS		137,085	162,768
TOTAL ASSETS LESS CURRENT LIABILITIES		334,082	369,223

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 US$'000	2022 US$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**2,297**	37,899
Lease liabilities	15(b)	**9,597**	12,352
Deferred tax liabilities	25	**7,589**	3,605
Total non-current liabilities		**19,483**	53,856
Net assets		**314,599**	315,367
EQUITY			
Issued capital	26	**151,291**	151,291
Reserves	28	**163,308**	164,076
Total equity		**314,599**	315,367

Shan Huei KUO
Director

Yi-Mei LIU
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Notes	Issued capital US$'000 (note 26)	Share premium US$'000 (note 26)	Capital redemption reserve US$'000	Merger reserve US$'000 (note 28)	Other reserve US$'000 (note 28)	Exchange reserve US$'000	Retained profits US$'000	Total equity US$'000
At 1 January 2022		155,374	105,972	1,012	1,581	(6,787)	(7,937)	74,409	323,624
Profit for the year		–	–	–	–	–	–	15,125	15,125
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations		–	–	–	–	–	(7,728)	–	(7,728)
Total comprehensive income for the year		–	–	–	–	–	(7,728)	15,125	7,397
Shares repurchased and cancelled	26	(4,083)	78	–	–	–	–	–	(4,005)
Final 2021 dividend	11	–	–	–	–	–	–	(7,792)	(7,792)
Interim 2022 dividend	11	–	–	–	–	–	–	(3,857)	(3,857)
At 31 December 2022 and 1 January 2023		151,291	106,050*	1,012*	1,581*	(6,787)*	(15,665)*	77,885*	315,367
Profit for the year		–	–	–	–	–	–	3,288	3,288
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations		–	–	–	–	–	(183)	–	(183)
Total comprehensive income for the year		–	–	–	–	–	(183)	3,288	3,105
Final 2022 dividend	11	–	–	–	–	–	–	(3,873)	(3,873)
At 31 December 2023		151,291	106,050*	1,012*	1,581*	(6,787)*	(15,848)*	77,300*	314,599

* These reserve accounts comprise the consolidated reserves of US$163,308,000 (2022: US$164,076,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 US$'000	2022 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,167**	20,049
Adjustments for:			
Interest expenses	*7*	**10,556**	7,308
Interest income	*5*	**(5,333)**	(1,862)
(Gain)/loss on disposal of items of property, plant and equipment, net	*5*	**(2,697)**	93
Net (gain)/loss on held-for-trading investments	*5*	**(1,716)**	6,706
Depreciation of investment properties	*6*	**2,786**	2,910
Depreciation of property, plant and equipment	*6*	**9,204**	9,171
Depreciation of right-of-use assets	*6*	**6,192**	7,263
Gain on lease modification	*6*	**–**	(264)
Impairment of trade receivables, net	*6*	**391**	2,427
Write-down of inventories to net realisable value, net	*6*	**1,247**	2,011
Share of loss/(profit) of an associate	*18*	**215**	(72)
		25,012	55,740
Decrease/(increase) in inventories		**45,262**	(27,317)
Decrease/(increase) in deposits, trade and other receivables		**22,967**	(20,327)
Decrease in trade and other payables		**(14,794)**	(14,915)
Cash generated from/(used in) operations		**78,447**	(6,819)
Overseas tax refunded/(paid)		**2,071**	(602)
Interest expenses on lease liabilities	*7*	**(723)**	(988)
Net cash flows from/(used in) operating activities		**79,795**	(8,409)

	Notes	2023 US$'000	2022 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	5,333	1,862
Purchase of items of property, plant and equipment		(8,313)	(8,404)
Proceeds from disposal of items of property, plant and equipment		4,644	89
Purchase of held-for-trading investments		(1,033)	(2,760)
Redemption on maturity of held-for-trading investments		823	2,943
Decrease/(increase) in bank deposits with original maturity of more than three months when acquired		787	(21,346)
Net cash flows from/(used in) investing activities		2,241	(27,616)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		100,124	136,154
Repayment of bank borrowings		(172,100)	(93,542)
Principal portion of lease payments	29(b)	(4,893)	(5,934)
Shares repurchased		–	(4,005)
Dividends paid		(3,873)	(11,649)
Interest paid	7	(9,833)	(6,320)
Net cash flows (used in)/from financing activities		(90,575)	14,704
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,539)	(21,321)
Cash and cash equivalents at beginning of year		42,895	65,009
Effect of foreign exchange rate changes, net		294	(793)
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	34,650	42,895
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	22	55,209	58,674
Bank deposits with original maturity of more than three months when acquired		(20,559)	(15,779)
Cash and cash equivalents as stated in the consolidated statement of cash flows		34,650	42,895

1. CORPORATE AND GROUP INFORMATION

Samson Holding Ltd. (the "Company") is 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 Unit 1007, 10th Floor, Haleson Building, 1 Jubilee Street, Central, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were 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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Craftmaster Furniture, Inc.	United States ("U.S.")	US$0.01	–	100	Manufacturing and sale of furniture
Dongguan Huanhua Home Furniture Co., Ltd. ("DHH")*	People's Republic of China ("PRC")	RMB2,000,000	–	100	Trading of furniture
Grand Manor Furniture, Inc.	U.S.	US$4,008,000	–	100	Manufacturing and sale of furniture
LacquerCraft Hospitality, Inc.	U.S.	US$1,000	–	100	Marketing and sale of furniture
Universal Furniture International, Inc.	U.S.	US$0.35	–	100	Marketing and sale of furniture
Baker Interiors Group, Ltd.	U.S.	US$35,000,000	–	100	Manufacturing and sale of furniture
Lacquer Craft Manufacturing Co., Ltd. (Zhejiang) ("LCZJ")*	PRC	US$80,000,000	–	100	Trading of furniture

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Legacy Classic Furniture, Inc.	U.S.	US$4,450,000	–	100	Marketing and sale of furniture
PT Lacquercraft Industry Indonesia	Republic of Indonesia ("Indonesia")	Indonesian Rupiah 22,507,500,000	–	100	Manufacturing and sale of furniture
Samson International Enterprises Limited	BVI/Taiwan	US$50,000	–	100	Trading of furniture and provision of procurement services
Samson Investment Holding Co.	U.S.	US$0.10	–	100	Investment holding
Trendex Furniture Ind. Co., Ltd.	Bangladesh	Bangladesh Taka 400,000	–	100	Manufacturing and sale of furniture
Uniview Trading Limited	Hong Kong	HK$1	–	100	Trading of furniture
Kingswood Talent Limited	BVI	US$50,000	–	100	Trading of furniture
United Bright International Enterprises Limited	BVI	US$50,000	–	100	Trading of furniture
Jolly State International Limited	BVI	US$46,500,000	–	100	Investment holding
Timber Industries Co., Ltd.	Vietnam	VND133,215,000,000	–	100	Manufacturing and sale of furniture
Samson Industries Co., Ltd.	Vietnam	VND631,224,724,745	–	100	Manufacturing and sale of furniture

* LCZJ and DHH are registered as wholly-foreign-owned enterprises under PRC law.

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.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated 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") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for held-for-trading investments which have been measured at fair value. The consolidated 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 Group for the year ended 31 December 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in the statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to the statement of 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. ACCOUNTING POLICIES (continued)

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 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position or performance of the Group upon initial application.

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangement*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

2. ACCOUNTING POLICIES (continued)

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investment in associate.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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 of the acquiree.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill *(continued)*

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 is measured at fair value with changes in fair value recognised in the statement of profit or loss. 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 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 the statement of 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.

Fair value measurement

The Group measures its held-for-trading 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Fair value measurement** (continued)*

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 a non-financial asset is required (other than inventories, investment properties and deferred tax assets), 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.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Impairment of non-financial assets** (continued)*

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.

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);
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses. 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 is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. 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% to 11% per annum to write off the cost of investment properties over their estimated useful lives.

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

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Leases** (continued)*

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	33 to 47 years
Office and warehouses	2 to 10 years
Equipment	2 to 8 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are separately disclosed in the consolidated statement of financial position.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Leases** (continued)*

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment, laptop computers and motor vehicles that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Investments and other financial assets** (continued)*

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Impairment of financial assets** (continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Impairment of financial assets** (continued)*

Simplified approach

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

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

Subsequent measurement of financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing 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. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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.

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 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Income tax** (continued)*

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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, 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, and 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, and 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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, 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.

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of furniture

Revenue from sale of furniture is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the furniture.

Other income

Rental income is recognised on a time proportion basis over the lease terms. Rental related income, representing mainly electricity, water and steam fees is recognised when the services and facilities are provided.

Service fee income is recognised over time when the services were rendered.

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customers).

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain specific percentage of their 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. have established defined contribution retirement plans for their eligible employees in the U.S. The assets of the plans are held separately from those of the Group, in funds under the control of trustees.

Borrowing costs

All 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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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 consolidated financial statements are presented in United States dollars, which is the Company's functional 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Foreign currencies** (continued)*

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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 United States dollars 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 exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the cumulative amount in the reserve 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 recurring 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 consolidated financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial and industrial 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.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Net realisable value of inventories

The measurement of net realisable value of inventories required significant management judgement in determining an appropriate costing basis and assessing if net realisable value of inventories was lower than the carrying amount of the inventories at the year end. There are also judgements required in determining inventory excess and obsolescence provisions as these are based on forecast inventory usage and sales.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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.

Useful lives of other intangible assets

As at 31 December 2023, the carrying amount of the Group's intangible assets excluding goodwill was approximately US$4,400,000 (2022: US$4,400,000). The estimated useful lives of the assets reflect the management's estimate of the periods over which the other intangible assets are expected to generate net cash flows for the Group based on certain assumptions including attrition of the customer base and the possibility of renewal of sales contracts.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in estimated useful lives and therefore amortisation expenses and impairment losses in the future years. Details of the other intangible assets are set out in note 17.

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 2023 was US$25,793,000 (2022: US$25,793,000). Further details are set out in note 16.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., real consumer spending) are expected to deteriorate over the next year which can lead to an increased number of defaults in the trading sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20.

4. OPERATING SEGMENT INFORMATION

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

For the purpose of resource 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 the brands share similar economic characteristics, have similar products, are produced under similar production processes and have 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$36,810,000 (2022: US$69,838,000) represents the profit before tax earned by the single reportable segment excluding administrative expenses, other income, gains, losses and expenses, non-lease-related finance costs and share of (loss)/profit of an associate.

Other segment information

Amounts regularly provided to the executive directors but not included in the measure of segment profits are as follows:

	Reportable segment total *US$'000*	Unallocated *US$'000*	Total *US$'000*
2023			
Share of loss of an associate	**215**	**–**	**215**
Impairment loss recognised in the statement of profit or loss, net	**391**	**–**	**391**
Depreciation of property, plant and equipment	**8,792**	**412**	**9,204**
Write-down of inventories to net realisable value, net	**1,247**	**–**	**1,247**
Investment in an associate	**1,072**	**–**	**1,072**
Capital expenditure*	**8,313**	**–**	**8,313**
2022			
Share of profit of an associate	(72)	–	(72)
Impairment loss recognised in the statement of profit or loss, net	2,427	–	2,427
Depreciation of property, plant and equipment	8,703	468	9,171
Write-down of inventories to net realisable value, net	2,011	–	2,011
Investment in an associate	1,287	–	1,287
Capital expenditure*	8,404	–	8,404

* Capital expenditure consists of additions to property, plant and equipment.

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in the U.S., Vietnam, Bangladesh and the PRC.

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

	Revenue from external customers Year ended 31 December		Non-current assets *(Note)* As at 31 December	
	2023	2022	**2023**	2022
	US$'000	*US$'000*	***US$'000***	*US$'000*
The PRC, including Hong Kong	**4,330**	6,726	**8,591**	11,323
The U.S.	**397,715**	577,239	**81,360**	89,192
Bangladesh	**–**	–	**2,811**	2,981
Vietnam	**–**	–	**90,036**	90,675
Others	**12,494**	14,885	**720**	805
	414,539	598,850	**183,518**	194,976

Note: Non-current assets excluded the deferred tax assets and financial instruments.

Information about a major customer

During the years ended 31 December 2023 and 2022, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

5. REVENUE, OTHER INCOME, GAINS, LOSSES AND EXPENSES

An analysis of revenue is as follows:

	2023	2022
	US$'000	*US$'000*
Revenue from contracts with customers		
Sale of furniture	**414,306**	598,544
Revenue from other sources		
Service fee income	**233**	306
	414,539	598,850

5. REVENUE, OTHER INCOME, GAINS, LOSSES AND EXPENSES (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

Segment – Furniture	2023 US$'000	2022 US$'000
Types of goods		
Sale of furniture	414,306	598,544
Geographical markets		
The PRC, including Hong Kong	4,097	6,420
The U.S.	397,715	577,239
Others	12,494	14,885
Total	414,306	598,544
Timing of revenue recognition		
Goods transferred at a point in time	414,306	598,544

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segment – Furniture	2023 US$'000	2022 US$'000
Revenue from contracts with customers		
External customers	414,306	598,544

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 US$'000	2022 US$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of furniture	20,706	30,562

5. REVENUE, OTHER INCOME, GAINS, LOSSES AND EXPENSES (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligation is summarised below:

Sale of furniture

The performance obligation is satisfied upon delivery of the furniture and payment is generally due within 30 to 90 days from delivery, except for several customers, where payment in advance is normally required.

An analysis of other income, gains, losses and expenses is as follows:

	2023	2022
	US$'000	*US$'000*
Other income		
Bank interest income	**1,219**	1,234
Interest income from held-for-trading investments	**4,114**	628
Rental income	**7,713**	7,847
Rental related income	**5,544**	5,747
Total other income	**18,590**	15,456
Other gains, losses and expenses		
Foreign exchange differences, net	**(843)**	(1,243)
Gain/(loss) on disposal of items of property, plant and equipment, net	**2,697**	(93)
Net gain/(loss) on held-for-trading investments	**1,716**	(6,706)
Others	**1,907**	2,109
Total other gains, losses and expenses	**5,477**	(5,933)
	24,067	9,523

6. PROFIT BEFORE TAX

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

	Notes	2023 US$'000	2022 US$'000
Cost of inventories sold		306,072	444,371
Depreciation of investment properties	14	2,786	2,910
Depreciation of property, plant and equipment	13	9,204	9,171
Depreciation of right-of-use assets	15(a)	6,192	7,263
(Gain) /loss on disposal of items of property, plant and equipment, net		(2,697)	93
Lease payments not included in the measurement of lease liabilities	15(c)	2,384	771
Gain on lease modification	15(c)	–	(264)
Auditors' remuneration		894	892
Employee benefit expense (excluding directors' remuneration):			
Wages, salaries and allowances		99,370	118,334
Retirement benefit scheme contributions*		1,235	1,126
Total		100,605	119,460
Impairment of trade receivables, net	20	391	2,427
Write-down of inventories to net realisable value, net		1,247	2,011

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	US$'000	*US$'000*
Interest on bank borrowings	**9,833**	6,320
Interest on lease liabilities	**723**	988
Total	**10,556**	7,308

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023	2022
	US$'000	*US$'000*
Fees	**201**	201
Other emoluments:		
Salaries, allowances and benefits in kind	**1,191**	1,353
Total	**1,392**	1,554

(a) Independent non-executive directors

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

	2023	2022
	US$'000	*US$'000*
Ming-Jian KUO	**31**	31
Siu Ki LAU	**31**	31
Sui-Yu WU	**31**	31
Total	**93**	93

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director

	Fees	Salaries, allowances and benefits in kind	Total remuneration
	US$'000	*US$'000*	*US$'000*
2023			
Executive directors:			
Shan Huei KUO	31	488	519
Yi-Mei LIU	31	368	399
Mohamad AMINOZZAKERI	31	335	366
Subtotal	93	1,191	1,284
Non-executive director:			
Sheng Hsiung PAN	15	–	15
Total	108	1,191	1,299
2022			
Executive directors:			
Shan Huei KUO	31	590	621
Yi-Mei LIU	31	428	459
Mohamad AMINOZZAKERI	31	335	366
Subtotal	93	1,353	1,446
Non-executive director:			
Sheng Hsiung PAN	15	–	15
Total	108	1,353	1,461

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

There were no performance related bonuses and pension scheme contributions paid to the executive directors and a non-executive director during the year (2022: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2022: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2022: four) highest paid employees who are not directors of the Company are as follows:

	2023 US$'000	2022 US$'000
Salaries, allowances and benefits in kind	2,249	2,655
Retirement benefit scheme contributions	–	–
Total	2,249	2,655

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

	Number of employees	
	2023	2022
HK$4,000,001 to HK$4,500,000 (approximately US$513,001 to US$577,000)	–	3
HK$5,500,001 to HK$6,000,000 (approximately US$705,001 to US$769,000)	2	–
HK$6,000,001 to HK$6,500,000 (approximately US$769,001 to US$833,000)	1	–
HK$8,000,001 to HK$8,500,000 (approximately US$1,026,001 to US$1,090,000)	–	1
Total	3	4

10. INCOME TAX

For the Group's subsidiaries established in the U.S., income tax is calculated at the rate of 21% (2022: 21%).

No provision for Hong Kong profits tax has been made in the current year as the Group did not generate any assessable profits arising in Hong Kong during the current year (2022: Nil).

Taiwan income tax is calculated at 20% (2022: 20%) of certain subsidiaries' assessable profits.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

10. INCOME TAX (continued)

	2023	2022
	US$'000	*US$'000*
Current tax:		
The U.S.	**200**	725
Taiwan	**3,973**	4,354
Elsewhere	**54**	101
	4,227	5,180
Deferred tax *(note 25)*	**(3,348)**	(256)
	879	4,924

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which 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:

	2023		2022	
	US$'000	***%***	*US$'000*	*%*
Profit before tax	**4,167**		20,049	
Taxation at the U.S. federal income tax rate of 21% (2022: 21%)	**875**	**21.0**	4,210	21.0
U.S. state income tax at other rates	**(340)**	**(8.2)**	109	0.5
Tax effect of expenses not deductible for tax purpose	**1,900**	**45.6**	2,413	12.0
Tax effect of income not taxable	**(1,463)**	**(35.1)**	(2,662)	(13.3)
Tax effect of tax losses not recognised	**356**	**8.5**	2,044	10.2
Effect of profits in subsidiaries operating in other jurisdictions	**(449)**	**(10.8)**	(1,190)	(5.9)
Tax charge at the Group's effective rate	**879**	**21.1**	4,924	24.6

11. DIVIDENDS

No final dividend has been declared during the year ended 31 December 2023.

A final dividend in respect of year ended 31 December 2022 of HK$0.01 per ordinary share amounting to approximately HK$30.3 million (approximately US$3.9 million) was declared by the Board of Directors of the Company and was paid to the shareholders of the Company during the year ended 31 December 2023.

No interim dividend for the six months ended 30 June 2023 was declared. An interim dividend in respect of the six months ended 30 June 2022 of HK$0.01 per ordinary share amounting to approximately HK$30.4 million (approximately US$3.9 million) was declared by the Board of Directors of the Company and was paid to the shareholders of the Company during the year ended 31 December 2022.

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

The calculations of the basic and diluted earnings per share are based on:

	2023 ***US$'000***	2022 *US$'000*
Profit for the year attributable to ordinary equity holders of the parent for the purpose of basic and diluted earnings per share calculations	**3,288**	15,125

	2023 ***Number of shares***	2022 *Number of shares*
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**3,025,814,773**	3,049,708,157

The weighted average number of ordinary shares of 3,049,708,157 in issue during the year ended 31 December 2022 was adjusted to exclude the shares repurchased during the prior year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land* US$'000	Buildings US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Furniture, fixtures and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost:								
At 1 January 2022	9,622	106,816	75,142	21,031	3,108	51,610	11	267,340
Exchange realignment	(42)	(5,650)	(5,977)	(1,353)	(113)	(2,132)	(11)	(15,278)
Additions	–	4,589	2,596	65	174	961	19	8,404
Transfer from CIP	–	15	–	–	–	–	(15)	–
Disposals	–	(331)	(20)	–	(131)	(176)	–	(658)
At 31 December 2022 and 1 January 2023	9,580	105,439	71,741	19,743	3,038	50,263	4	259,808
Exchange realignment	4	(1,107)	(1,425)	(273)	(5)	(446)	–	(3,252)
Additions	–	634	5,721	34	45	652	1,227	8,313
Disposals	(10)	(1,453)	(384)	(1,374)	(188)	(161)	–	(3,570)
At 31 December 2023	**9,574**	**103,513**	**75,653**	**18,130**	**2,890**	**50,308**	**1,231**	**261,299**
Accumulated depreciation:								
At 1 January 2022	–	57,115	67,824	17,102	1,890	41,821	–	185,752
Exchange realignment	–	(5,109)	(5,650)	(1,260)	(93)	(2,040)	–	(14,152)
Depreciation provided for the year	–	4,272	1,753	1,009	177	1,960	–	9,171
Eliminated on disposals	–	(331)	(12)	–	(1)	(132)	–	(476)
At 31 December 2022 and 1 January 2023	–	55,947	63,915	16,851	1,973	41,609	–	180,295
Exchange realignment	–	(940)	(1,215)	(253)	–	(412)	–	(2,820)
Depreciation provided for the year	–	4,168	2,071	1,003	210	1,752	–	9,204
Eliminated on disposals	–	(266)	(235)	(802)	(161)	(159)	–	(1,623)
At 31 December 2023	**-**	**58,909**	**64,536**	**16,799**	**2,022**	**42,790**	**-**	**185,056**
Net carrying amount:								
At 31 December 2023	**9,574**	**44,604**	**11,117**	**1,331**	**868**	**7,518**	**1,231**	**76,243**
At 31 December 2022	9,580	49,492	7,826	2,892	1,065	8,654	4	79,513

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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2023, certain of the Group's property, plant and equipment with a net carrying amount of US$13,631,000 (2022: US$14,342,000) were pledged to a bank to secure certain credit facilities granted to the Group (note 30).

14. INVESTMENT PROPERTIES

	US$'000
Cost:	
At 1 January 2022	23,952
Exchange realignment	(951)
At 31 December 2022 and 1 January 2023	23,001
Exchange realignment	(201)
At 31 December 2023	**22,800**
Accumulated depreciation:	
At 1 January 2022	5,780
Provided for the year	2,910
Exchange realignment	(134)
At 31 December 2022 and 1 January 2023	8,556
Provided for the year	2,786
Exchange realignment	(1,098)
At 31 December 2023	**10,244**
Net carrying amount:	
At 31 December 2023	**12,556**
At 31 December 2022	14,445

The Group's investment properties are commercial properties with a net carrying amount of US$6,550,000 (2022: US$6,778,000) in the U.S. and industrial properties with a net carrying amount of US$6,006,000 (2022: US$7,667,000) in the PRC. The commercial properties in the U.S. are situated on freehold land and the building elements are depreciated on a straight-line basis at 2.5% per annum. The industrial properties in the PRC are situated on leasehold land. They are depreciated on a straight-line basis at 2.0% to 11.0% per annum.

14. INVESTMENT PROPERTIES (continued)

As at 31 December 2023, certain of the Group's investment properties with a net carrying amount of US$4,525,000 (2022: US$4,809,000) were pledged to a bank to secure credit facilities granted to the Group (note 30).

The fair value of the Group's investment properties at 31 December 2023 was US$19,446,000 (2022: US$19,446,000) and US$113,764,000 (2022: US$229,150,000) in the U.S. and the PRC, respectively. Their fair values were determined by the directors of the Company by making reference to the valuation reports prepared by the independent firms of professional qualified valuers.

Fair value hierarchy

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

	2023 *US$'000*	2022 *US$'000*
Significant unobservable inputs *(Level 3)*:		
Commercial properties	19,446	19,446
Industrial properties	113,764	229,150
	133,210	248,596

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.

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

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	Market comparison	Estimated price per square foot
Industrial properties	Market comparison	Estimated price per square metre

Under the market comparison approach, fair value is estimated with reference to recent transactions for similar properties in the proximity with adjustments for the differences in floor area, etc. between the comparable properties and the subject properties. A significant increase/(decrease) in the estimated price per square metre in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. The valuations take into account the characteristics of the properties which include the location, size and other factors collectively.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of property and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods between 39 and 47 years, and no ongoing payments will be made under the terms of these land leases. Leases of office and warehouses generally have lease terms between 1 and 10 years (2022: between 1 and 10 years), while other equipment generally has lease terms between 1 and 8 years (2022: between 1 and 8 years). Certain offices and other equipment generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *US$'000*	Office and warehouses *US$'000*	Equipment *US$'000*	Total *US$'000*
As at 1 January 2022	56,533	21,123	1,115	78,771
Additions	–	1,354	188	1,542
Remeasurement on lease modification	–	(1,918)	–	(1,918)
Depreciation charge *(note 6)*	(1,476)	(5,366)	(421)	(7,263)
Exchange realignment	(1,599)	4	1	(1,594)
As at 31 December 2022 and 1 January 2023	53,458	15,197	883	69,538
Additions	–	90	914	1,004
Depreciation charge *(note 6)*	(1,452)	(4,335)	(405)	(6,192)
Exchange realignment	(902)	6	–	(896)
As at 31 December 2023	**51,104**	**10,958**	**1,392**	**63,454**

A leasehold land situated in Vietnam with a net carrying amount of approximately US$35,377,000 (2022: US$36,277,000) does not have the relevant land use right certificates. The Group is in the process of obtaining the land use right certificates for the self-owned land. The Group has been occupying and using the land without objection from the relevant authorities. In the opinion of the directors, the risk of having to relocate the business operations from the land is relatively low.

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 US$'000	2022 US$'000
Carrying amount at 1 January	17,964	24,538
Additions	1,004	1,542
Accretion of interest recognised during the year *(note 7)*	723	988
Payments	(5,616)	(6,922)
Remeasurement on lease modification	–	(2,182)
Carrying amount at 31 December	14,075	17,964
Analysed into:		
Current portion	4,478	5,612
Non-current portion	9,597	12,352
Total	14,075	17,964

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 US$'000	2022 US$'000
Interest on lease liabilities	723	988
Depreciation charge of right-of-use assets	6,192	7,263
Expense relating to short-term leases*	2,349	676
Expense relating to leases of low-value assets*	35	95
Gain on lease modification	–	(264)
Total amount recognised in profit or loss	9,299	8,758

* The expenses are included in cost of sales, distribution costs, sales and marketing expenses and administrative expenses.

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

15. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of commercial properties in the U.S. and industrial properties in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was US$7,713,000 (2022: US$7,847,000), details of which are included in note 5 to the financial statements.

The undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023	2022
	US$'000	*US$'000*
Within one year	**7,696**	7,731
After one year but within two years	**7,033**	7,752
After two years but within three years	**4,216**	7,064
After three years but within four years	**3,492**	4,243
After four years but within five years	**–**	3,530
Total	**22,437**	30,320

16. GOODWILL

	2023	2022
	US$'000	*US$'000*
Cost and carrying amount at 1 January and 31 December	**25,793**	25,793

For the purposes of impairment testing, goodwill has been allocated to three individual cash-generating units ("CGU(s)"). The carrying amount of goodwill as at the end of the reporting period allocated to each of the CGUs is as follows:

	2023	2022
	US$'000	*US$'000*
Brand A	**11,475**	11,475
Brand C	**2,230**	2,230
Brand E	**12,088**	12,088
Total	**25,793**	25,793

16. GOODWILL (continued)

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

The recoverable amounts of these CGUs have been determined based on a value-in-use calculation. Management believes these units have 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 15.6% (2022: 15.5%) with a growth rate of 3% to 10% (2022: 3% to 10%). These CGUs' cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2022:3%).

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 CGUs' 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 these CGUs to exceed the aggregate recoverable amount of the CGUs.

17. OTHER INTANGIBLE ASSETS

	Trademark Brand D *US$'000*
Net carrying amount at 31 December 2022,1 January 2023 and 31 December 2023	4,400

Brand D

The trademark Brand D is considered to have an indefinite useful 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, and support 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.

For the purposes of impairment testing, the trademark Brand D with an indefinite useful life set out in this note has been allocated to an individual CGU.

During the year, management of the Group determined that there was no impairment loss of its CGU containing the trademark Brand D with an indefinite useful life. The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

17. OTHER INTANGIBLE ASSETS (continued)

Brand D (continued)

For the purposes of the impairment test, the calculation uses cash flow projections based on financial budgets approved by management covering a 20-year period, and a discount rate of 15.6% (2022: 15.5%) with a growth rate of 1% to 10% (2022: 1% to 10%). 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.

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 CGU'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 carrying amount of this unit to exceed the recoverable amount of the CGU.

18. INVESTMENT IN AN ASSOCIATE

	2023 ***US$'000***	2022 *US$'000*
Share of net assets	**715**	930
Goodwill on acquisition	**357**	357
	1,072	1,287

Particulars of the Group's associate are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation/ registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
H. Nicholas & CO Joint Stock Company	Ordinary shares	Vietnam	45.5%	Manufacturing and sale of furniture

On 1 July 2019, the Company entered into a strategic agreement with an independent third party to acquire 45.5% equity interest in H. Nicholas & CO Joint Stock Company, a company in Vietnam. Since the Group has significant influence over the board of directors of this investee, it is classified as investment in associate and accounted for using the equity method.

18. INVESTMENT IN AN ASSOCIATE (continued)

The summarised financial information in respect of the Group's associate is set out below:

	2023	2022
	US$'000	*US$'000*
Current assets	**4,487**	4,823
Non-current assets, excluding goodwill	**2,018**	2,268
Goodwill on acquisition of the associate	**357**	357
Current liabilities	**(4,934)**	(5,033)
Non-current liabilities	**–**	(14)
Net assets	**1,928**	2,401
Net assets, excluding goodwill	**1,571**	2,044

Reconciliation to the Group's interest in the associate:

	2023	2022
	US$'000	*US$'000*
Proportion of the Group's ownership	**45.5%**	45.5%
Group's share of net assets of the associate, excluding goodwill	**715**	930
Goodwill on acquisition	**357**	357
Carrying amount of the investment	**1,072**	1,287
Revenue	**13,189**	12,892
Profit and total comprehensive income for the year	**473**	159

19. INVENTORIES

	2023 US$'000	2022 US$'000
Raw materials	40,928	50,459
Work in progress	5,149	7,448
Finished goods	69,125	103,886
	115,202	161,793

At 31 December 2023, no inventories (2022: US$35,229,000) were pledged as security for the Group's credit facilities, as further detailed in note 30 to the financial statements.

20. DEPOSITS, TRADE AND OTHER RECEIVABLES

	2023 US$'000	2022 US$'000
Trade receivables	49,499	73,182
Impairment allowance	(3,011)	(3,962)
	46,488	69,220
Deposits, other receivables and prepayments *(Note)*	34,026	35,609
	80,514	104,829
Portion classified as current assets	(80,279)	(104,829)
Non-current portion	235	–

Note: Deposits, other receivables and prepayments mainly include advances to suppliers, interest receivables and deposits. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2023, the probability of default applied is 6% (2022: 7%) and the loss given default was estimated to be 100% (2022: 100%). As at 31 December 2023 and 2022, the loss allowance was assessed to be insignificant.

20. DEPOSITS, TRADE AND OTHER RECEIVABLES (continued)

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

	2023 US$'000	2022 US$'000
Within 1 month	24,491	24,035
1 to 2 months	7,881	15,612
Over 2 months	14,116	29,573
Total	46,488	69,220

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 US$'000	2022 US$'000
At beginning of the year	3,962	1,838
Impairment losses recognised *(note 6)*	391	2,427
Amount written off as uncollectible	(1,342)	(303)
At end of year	3,011	3,962

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

20. DEPOSITS, TRADE AND OTHER RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
As at 31 December 2023					
Expected credit loss rate (%)	**1.25**	**1.74**	**1.86**	**38.69**	**6.08**
Gross carrying amount (US$'000)	**32,000**	**8,569**	**2,695**	**6,235**	**49,499**
Expected credit losses (US$'000)	**400**	**149**	**50**	**2,412**	**3,011**
As at 31 December 2022					
Expected credit loss rate (%)	1.42	2.08	2.70	27.25	5.41
Gross carrying amount (US$'000)	39,152	14,075	9,476	10,479	73,182
Expected credit losses (US$'000)	557	293	256	2,856	3,962

As at 31 December 2023, no trade and other receivables were pledged to secure credit facilities granted to the Group (2022: US$30,333,000) (note 30).

21. HELD-FOR-TRADING INVESTMENTS

	2023	2022
	US$'000	*US$'000*
Debt securities, at fair value:		
Listed in Hong Kong with average yield rate of 3.41% to 3.42% and maturity from March 2025 to January 2028	**1,081**	1,234
Listed in Singapore with average yield rate of 3.52% to 3.71% and maturity from July 2023 to August 2030	**2,893**	3,251
Listed in other jurisdictions with average yield rate of 3.04% to 3.83% and maturity from January 2024 to September 2080	**3,181**	2,244
Investment fund portfolio A, at fair value *(Note)*	**75,777**	74,287
Investment fund portfolio B, at fair value *(Note)*	**214**	212
Investment fund portfolio C, at fair value *(Note)*	**176**	171
Investment fund portfolio D, at fair value *(Note)*	**237**	234
Total	**83,559**	81,633

21. HELD-FOR-TRADING INVESTMENTS (continued)

The above investments as at 31 December 2023 and 2022 were classified as financial assets at fair value through profit or loss as they are held for trading.

Note: The investment fund portfolios A, B, C and D were mandatorily classified as financial assets at fair value through profit or loss, as their contractual cash flows were not solely payments of principal and interest. Investment fund portfolio A was a wealth management product issued by Union Bancaire Privée in Luxembourg. The Group acquired investment fund portfolio A at an investment cost of US$80,500,000. During the year ended 31 December 2023, the Group received dividends of US$3,834,000 (2022: US$385,000) from investment fund portfolio A and the Group did not acquire or dispose of investment fund portfolio A during the year. As at 31 December 2023, the Group holds 80,500 units (31 December 2022: 80,500 units) of fund portfolio A which accounted for approximately 14.2% (31 December 2022: 12.1%) of the total assets of the Group, and the unrealised profit of investment fund portfolio A amounted to US$1,490,000 was charged to statement of profit or loss during the year ended 31 December 2023 (2022: unrealised loss of US$5,703,000). The Group holds the investment fund portfolio A for capital appreciation and has been closely monitoring the performance from time to time.

22. CASH AND CASH EQUIVALENTS

	2023	2022
	US$'000	*US$'000*
Cash and bank balances	**34,650**	42,895
Time deposits	**20,559**	21,346
	55,209	64,241
Less: long-term bank deposits	**–**	(5,567)
Cash and cash equivalents as stated in the consolidate statement of financial position	**55,209**	58,674
Less: bank deposits with original maturity of more than three months when acquired	**(20,559)**	(15,779)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**34,650**	42,895

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$8,339,000 (2022: US$3,079,000). 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. The bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE AND OTHER PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 US$'000	2022 US$'000
Trade payables:		
Within 1 month	10,075	8,559
1 to 2 months	2,271	1,950
Over 2 months	5,169	5,206
	17,515	15,715
Other payables and accruals	31,742	48,750
	49,257	64,465

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

Set out below is the breakdown of the other payables and accruals as at the end of the reporting period:

	Notes	2023 US$'000	2022 US$'000
Contract liabilities	(a)	16,035	20,706
Other payables	(b)	525	993
Accruals		15,182	27,051
		31,742	48,750

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2023 US$'000	31 December 2022 US$'000	1 January 2022 US$'000
Short-term advances received from customers			
Sale of furniture	16,035	20,706	30,562
	16,035	20,706	30,562

The balance represented short-term advances received to deliver furniture to customers. The decrease in contract liabilities was mainly due to the decrease in short-term advances received from major customers in relation to the sale of furniture at the end of the years.

(b) Other payables are non-interest-bearing and have an average term of two months.

24. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate (%)	Maturity	US$'000	Effective interest rate (%)	Maturity	US$'000
Current						
Bank loans – unsecured	2.40 – 6.80	2024	94,866	2.30 – 5.80	2023	136,855
Bank loan – secured	6.90	2024	30,000	6.75	2023	24,958
Total – current			124,866			161,813
Non-current						
Bank loans – unsecured	1.00	2025	2,297	1.00 – 5.80	2024 – 2025	37,899
Total			127,163			199,712

	2023 US$'000	2022 US$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	124,866	161,813
In the second year	2,297	34,802
Over two years	–	3,097
	127,163	199,712

Notes:

(a) The Group has entered into a credit facility amounting to US$30,000,000 (2022: US$25,000,000). The credit facility was secured by certain assets of the Group and would expire in June 2024 (2022: August 2023). Details of the pledge of assets are disclosed in note 30 to the financial statements.

(b) Except for bank borrowings of US$17,276,000 (2022: US$17,836,000) and US$7,048,000 (2022: US$7,182,000), which are denominated in VND and RMB, the remaining bank borrowings are denominated in US$.

25. DEFERRED TAX ASSETS/LIABILITIES

The following 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	Tax losses US$'000	Fair value adjustments arising from acquisition of a subsidiary US$'000	Right-of-use assets US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2022	1,090	(7,381)	(1,088)	5,898	5,560	(6,135)	(2,056)
Exchange differences	5	–	–	–	–	–	5
Deferred tax (credited)/charged to the statement of profit or loss during the year *(note 10)*	(337)	(767)	1,040	(296)	(1,540)	1,644	(256)
At 31 December 2022 and 1 January 2023	758	(8,148)	(48)	5,602	4,020	(4,491)	(2,307)
Deferred tax (credited)/charged to the statement of profit or loss during the year *(note 10)*	(516)	1,351	(3,927)	(295)	(933)	972	(3,348)
At 31 December 2023	242	(6,797)	(3,975)	5,307	3,087	(3,519)	(5,655)

Others mainly represent deferred taxes on temporary differences on allowances 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 balances for financial reporting purposes:

	2023 ***US$'000***	2022 *US$'000*
Deferred tax liabilities	**7,589**	3,605
Deferred tax assets	**(13,244)**	(5,912)
	(5,655)	(2,307)

At the end of the reporting period, the Group had unused tax losses of US$54,821,000 (2022: US$55,988,000) available to offset against future profits for which 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$41,566,000 (2022: US$42,571,000) that may be carried forward for a period of up to five years from their respective years of origination. Other losses may be carried forward indefinitely.

25. DEFERRED TAX ASSETS/LIABILITIES (continued)

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. No temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities (2022: US$3,286,000) have not been recognised as at 31 December 2023.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. SHARE CAPITAL AND SHARE PREMIUM

Shares

	2023 *US$'000*	2022 *US$'000*
Authorised:		
6,000,000,000 ordinary shares of US$0.05 each	**300,000**	300,000

A summary of movements in the Group's share capital and share premium account is as follows:

	Number of shares in issue	**Issued share capital** *US$'000*	**Share premium account** *US$'000*	**Total** *US$'000*
Issued and fully paid				
At 1 January 2022	3,107,473,773	155,374	105,972	261,346
Shares repurchased and cancelled	(81,659,000)	(4,083)	78	(4,005)
At 31 December 2022, 1 January 2023 and 31 December 2023	3,025,814,773	151,291	106,050	257,341

26. SHARE CAPITAL AND SHARE PREMIUM (continued)

Shares (continued)

During the year ended 31 December 2023, no share was repurchased or cancelled. During the year ended 31 December 2022, 81,659,000 ordinary shares were repurchased for a consideration of US$4,005,000 (equivalent to HK$31,325,000) and were cancelled during the year ended 31 December 2022.

The above ordinary shares repurchased were cancelled on delivery of share certificates. The nominal value of the shares cancelled during the year ended 31 December 2022 was US$4,083,000.

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

Share options

Details of the Company's share option scheme are included in note 27 to the consolidated financial statements.

27. SHARE OPTION SCHEME

The Company operates share option scheme (the "Share Option Scheme") to attract skilled and experienced personnel, to incentivise them to remain with the Group 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 Company. Eligible participants of the Share Option Scheme include any employee, any management member or director of the Group and third party service providers.

On 18 May 2016, a new share option scheme (the "2016 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 maximum number of shares to be issued in respect of which options may be granted under the 2016 Share Option Scheme, upon their exercise, shall not exceed 10% of the issued share capital of the Company on 18 May 2016, i.e. 304,360,977 shares.

The maximum number of shares issuable under share options to each eligible participant in the 2016 Share Option Scheme within any 12-month period is limited to 1% of the issued share capital of the Company at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options to be granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective close associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options to be granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective close associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and stated in the offer letter of the grant of options.

27. SHARE OPTION SCHEME (continued)

Subject to early termination of the 2016 Share Option Scheme in accordance with the scheme rules, the 2016 Share Option Scheme will expire on 18 May 2026.

The exercise price of share options is determinable by the directors and shall be the highest of: (i) the Stock Exchange closing price of the Company's shares on the date of grant; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares.

There were no outstanding share options as at 31 December 2022, 1 January 2023 and 31 December 2023. No share options were cancelled or lapsed during the year (2022: Nil).

During the year ended 31 December 2023, there was no share option granted (2022: Nil), and the Group did not recognise any share option expense (2022: Nil).

28. RESERVES

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 41 of the consolidated financial statements.

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.

Other reserve

The other reserve represents the difference between the fair value of the consideration and carrying amount of the non-controlling interest for the acquisition of the remaining 30% of the equity interest in Jolly State International Limited and its subsidiary, namely Timber Industries Co., Ltd. (collectively "Timber") on 3 August 2020.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US$1,004,000 (2022: US$1,542,000) and US$1,004,000 (2022: US$1,542,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2023

	Lease liabilities *US$'000*	**Bank borrowings** *US$'000*
At 1 January	**17,964**	**199,712**
Changes from financing cash flows	**(4,893)**	**(71,976)**
Additions	**1,004**	**–**
Foreign exchange movement	**–**	**(573)**
Interest expense	**723**	**–**
Interest paid classified as operating cash flows	**(723)**	**–**
At 31 December	**14,075**	**127,163**

2022

	Lease liabilities *US$'000*	Bank borrowings *US$'000*
At 1 January	24,538	157,759
Changes from financing cash flows	(5,934)	42,612
Additions	1,542	–
Foreign exchange movement	–	(659)
Remeasurement on lease modification	(2,182)	–
Interest expense	988	–
Interest paid classified as operating cash flows	(988)	–
At 31 December	17,964	199,712

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflows for leases included in the consolidated statement of cash flows is as follows:

	2023	2022
	US$'000	*US$'000*
With operating activities	**3,107**	1,759
With financing activities	**4,893**	5,934
Total	**8,000**	7,693

30. PLEDGE OF ASSETS

At the end of the reporting period, the Group had the following assets pledged to a bank to secure credit facilities granted to the Group:

		2023	2022
	Notes	***US$'000***	*US$'000*
Property, plant and equipment	*13*	**13,631**	14,342
Investment properties	*14*	**4,525**	4,809
Inventories	*19*	**–**	35,229
Trade and other receivables	*20*	**–**	30,333
Total		**18,156**	84,713

31. CONTINGENT LIABILITY

As at 31 December 2023, the Group has contingent liability arising from the recall arrangement (the "Recall Arrangement") in relation to a product recall in the U.S. in 2022, of which the accumulated quantity sold was approximately 5,100 units. According to the Recall Arrangement, consumers who purchased that product can return for a full refund, and the maximum amount of refunds estimated by the Group's management is approximately US$3.6 million. The Group's management assessed that the estimated total refund amount is not significant based on the number of the products returned as of the date of the consolidated financial statements.

32. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2023	2022
	US$'000	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment	**2,470**	3,480

33. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

Name of related company	Nature of transaction	*Note*	**2023** **US$'000**	2022 *US$'000*
Samson Global Co., Ltd.	Rental paid	*(a)*	**39**	40

Note:

(a) Samson Global Co., Ltd. is beneficially owned and jointly controlled by Mr. Shan Huei Kuo and Ms. Yi-Mei Liu, both being directors and ultimate controlling shareholders of the Company.

Compensation of key management personnel

The remuneration of members of key management personnel (including the directors of the Company as detailed in note 8 to the consolidated financial statements) during the year was as follows:

	2023 **US$'000**	2022 *US$'000*
Short term benefits	**3,640**	4,207

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

34. 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:

2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Held for trading *US$'000*	*US$'000*	*US$'000*
Trade receivables	–	46,488	46,488
Financial assets included in deposits, other receivables and prepayments	–	24,986	24,986
Held-for-trading investments	83,559	–	83,559
Cash and cash equivalents	–	55,209	55,209
Total	83,559	126,683	210,242

Financial liabilities

	Financial liabilities at amortised cost *US$'000*
Trade payables	17,515
Financial liabilities included in other payables and accruals	9,610
Interest-bearing bank borrowings	127,163
Lease liabilities	14,075
Total	168,363

34. 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)

2022

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Held for trading		
	US$'000	*US$'000*	*US$'000*
Long-term bank deposits	–	5,567	5,567
Trade receivables	–	69,220	69,220
Financial assets included in other receivables and prepayments	–	26,229	26,229
Held-for-trading investments	81,633	–	81,633
Cash and cash equivalents	–	58,674	58,674
Total	81,633	159,690	241,323

Financial liabilities

	Financial liabilities at amortised cost
	US$'000
Trade payables	15,715
Financial liabilities included in other payables and accruals	16,761
Interest-bearing bank borrowings	199,712
Lease liabilities	17,964
Total	250,152

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the executive directors and the Audit Committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the executive directors. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

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 Level 1 and Level 2 fair values of the held-for-trading investments are based on quoted market prices and quotes from financial institutions, respectively.

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 31 December 2023			
Held-for-trading investments	**7,155**	**76,404**	**83,559**
As at 31 December 2022			
Held-for-trading investments	6,729	74,904	81,633

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2022.

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 (2022: Nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include deposits, trade and other receivables, held-for-trading investments, cash and cash equivalents, long-term bank deposits, trade and other payables, interest-bearing bank borrowings and lease liabilities. 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 4% (2022: 4%) of the Group's sales were denominated in currencies other than the units' functional currencies, whilst approximately 21% (2022: 20%) of purchases were denominated in currencies other than the units' functional currencies.

Certain operating units have foreign currency denominated 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 currencies of the operating units. As a result, the Group is exposed to foreign currency risk.

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

	Change in foreign currency rate %	Increase/(decrease) in profit before tax US$'000
2023		
If the US$ weakens against the RMB	5%	29
If the US$ strengthens against the RMB	5%	(29)
If the US$ weakens against the GBP	5%	196
If the US$ strengthens against the GBP	5%	(196)
If the US$ weakens against the VND	5%	(159)
If the US$ strengthens against the VND	5%	159

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Change in foreign currency rate %	Increase/ (decrease) in profit before tax US$'000
2022		
If the US$ weakens against the RMB	5%	(434)
If the US$ strengthens against the RMB	5%	434
If the US$ weakens against the GBP	5%	189
If the US$ strengthens against the GBP	5%	(189)
If the US$ weakens against the VND	5%	(149)
If the US$ strengthens against the VND	5%	149

Credit risk

As at 31 December 2023 and 2022, the credit risk of the Group which would cause a financial loss to the Group arose from counterparties failing to perform an obligation, with the maximum exposure equal to the carrying amounts of the 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 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. For listed held-for-trading investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade receivables*	–	–	–	49,499	49,499
Financial assets included in deposits, other receivables and prepayments – Normal**	24,986	–	–	–	24,986
Cash and cash equivalents	55,209	–	–	–	55,209
	80,195	–	–	49,499	129,694

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Long-term bank deposits	5,567	–	–	–	5,567
Trade receivables*	–	–	–	73,182	73,182
Financial assets included in other receivables and prepayments – Normal**	26,229	–	–	–	26,229
Cash and cash equivalents	58,674	–	–	–	58,674
	90,470	–	–	73,182	163,652

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the consolidated financial statements.

** The credit quality of the financial assets included in deposits, other receivables and prepayments is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

The Group is principally engaged in the furniture industry, and there was a significant concentration of credit risk geographically within the Group as 86% (2022: 89%) of the total trade receivables were from the U.S. as at 31 December 2023. The Group also has a concentration of credit risk by analysis of customers as 62% (2022: 50%) and 40% (2022: 31%) of the total trade receivables were due from the Group's five largest customers and largest customer, respectively.

Liquidity risk

In the management of 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 as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2023

	On demand or less than 3 months *US$'000*	3 to less than 12 months *US$'000*	Over 1 year *US$'000*	Total *US$'000*
Trade payables	12,346	5,169	–	17,515
Other payables and accruals	9,610	–	–	9,610
Interest-bearing bank borrowings	55,422	72,328	2,305	130,055
Lease liabilities	2,627	5,986	7,371	15,984
	80,005	83,483	9,676	173,164

2022

	On demand or less than 3 months *US$'000*	3 to less than 12 months *US$'000*	Over 1 year *US$'000*	Total *US$'000*
Trade payables	10,509	5,206	–	15,715
Other payables and accruals	16,761	–	–	16,761
Interest-bearing bank borrowings	97,066	69,369	39,244	205,679
Lease liabilities	1,917	4,341	13,550	19,808
	126,253	78,916	52,794	257,963

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

***Liquidity risk** (continued)*

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

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 debt, which includes bank borrowings disclosed in note 24 to the consolidated financial statements, and equity attributable to the owners of the parent, comprising issued capital and reserves.

The directors of the Company review the capital structure periodically. As 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 debt divided by equity. The Group's policy is to maintain the gearing ratio at a suitably low level. Debt includes interest-bearing bank borrowings. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2023 ***US$'000***	2022 *US$'000*
Debt	**127,163**	199,712
Equity	**314,599**	315,367
Gearing ratio	**40.4%**	63.3%

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2023 *US$'000*	2022 *US$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	216,746	216,746
CURRENT ASSETS		
Due from subsidiaries	95,952	85,862
Other receivables	270	302
Cash and cash equivalents	23	580
Total current assets	96,245	86,744
CURRENT LIABILITIES		
Other payables	366	355
Due to a subsidiary	–	3
Total current liabilities	366	358
NET CURRENT ASSETS	95,879	86,386
Net assets	312,625	303,132
EQUITY		
Issued capital	151,291	151,291
Reserves *(Note)*	161,334	151,841
Total equity	312,625	303,132

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium US$'000	Capital redemption reserve US$'000	Contributed surplus* US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2022	105,972	1,012	80,186	(48,562)	138,608
Profit and the total comprehensive income for the year	–	–	–	24,804	24,804
Shares cancelled	78	–	–	–	78
Final 2021 dividend	–	–	–	(7,792)	(7,792)
Interim 2022 dividend	–	–	–	(3,857)	(3,857)
At 31 December 2022 and 1 January 2023	106,050	1,012	80,186	(35,407)	151,841
Profit and the total comprehensive income for the year	–	–	–	13,366	13,366
Final 2022 dividend	–	–	–	(3,873)	(3,873)
At 31 December 2023	106,050	1,012	80,186	(25,914)	161,334

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

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 20 March 2024.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2023	2022	2021	2020	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
REVENUE	**414,539**	598,850	488,109	397,582	457,240
Profit/(loss) before impairment of property, plant and equipment	**4,167**	20,049	21,732	(16,895)	(3,836)
Reversal of impairment/(impairment) of property, plant and equipment	**–**	–	7,040	–	(41,346)
Profit/(loss) before taxation	**4,167**	20,049	28,772	(16,895)	(45,182)
Taxation	**(879)**	(4,924)	(1,614)	1,174	(3,341)
Profit/(loss) for the year	**3,288**	15,125	27,158	(15,721)	(48,523)

ASSETS AND LIABILITIES

	As at 31 December				
	2023	2022	2021	2020	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total assets	**531,951**	616,376	600,535	568,487	638,765
Total liabilities	**(217,352)**	(301,009)	(276,911)	(273,482)	(311,343)
Total equity	**314,599**	315,367	323,624	295,005	327,422

Note: The above published results and statement of assets and liabilities of the Group have been prepared on a consistent basis.