

20. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives *(continued)*

Floor Care and Appliances – RAM/Hoover/VAX (“RAM/Hoover/VAX”)

The recoverable amount of RAM/Hoover/VAX has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 15.3% (2011: 13.8%) per annum.

Cash flow projections during the budget period for RAM/Hoover/VAX are based on management’s estimation of cash inflows/outflows including sales, gross margin, operating expenses, capital expenditures and working capital requirements. The assumptions and estimation are based on RAM/Hoover/VAX’s past performance, management’s expectation for the market development, the success in reducing the working capital requirements and the success of the cost cutting strategies implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of RAM/Hoover/VAX to exceed the aggregate recoverable amount of RAM/Hoover/VAX.

With the change in management of the Floor Care and Appliances CGU, VAX was aggregated to this CGU as at December 31, 2012.

21. Investments in Subsidiaries/Loans to Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2012 and December 31, 2011 are set out in Note 53.

Loans to subsidiaries are unsecured, bear interest at 5.275% to 10.150% per annum (2011: 5.275% to 10.150%) and are fully repayable by 2022.

22. Interests in Associates

	The Group		The Company	
	2012 USD'000	2011 USD'000	2012 USD'000	2011 USD'000
Unlisted shares, at cost less impairment loss recognised	—	—	—	3,062
Share of net assets	—	806	—	—
Amounts due from associates	17,724	19,359	16,436	18,261
	17,724	20,165	16,436	21,323

Particulars of the associates as at December 31, 2012 and December 31, 2011 are set out in Note 54.

The amounts due from associates are unsecured, non-interest bearing and are repayable on demand.

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

	2012 USD'000	2011 USD'000
Total assets	—	20,351
Total liabilities	—	(17,133)
Net assets	—	3,218
Group's share of net assets of associates	—	806
Turnover	—	31,882
Loss for the year	—	(1,388)
Group's share of results of associates for the year	—	(347)

At the end of the reporting period, amongst the associates, the Group held 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together the "Gimelli Group companies"). The Group has discontinued recognising its share of the losses of the Gimelli Group companies. The unrecognised share of loss for the year and cumulatively, extracted from the relevant management accounts of the associates, are USD831,000 (2011: USD737,000) and USD6,405,000 (2011: USD5,574,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

23. Available-for-sale Investments

	The Group		The Company	
	2012 USD'000	2011 USD'000	2012 USD'000	2011 USD'000
Unlisted equity securities and club membership debentures, at cost less impairment loss recognised	1,270	1,269	218	218

As at December 31, 2012, all available-for-sale investments represent investments in unlisted equity securities and club membership debentures. They are measured at cost less impairment at the reporting date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

24. Inventories

	The Group		The Company	
	2012 USD'000	2011 USD'000	2012 USD'000	2011 USD'000
Raw materials	84,315	96,605	—	—
Work in progress	12,523	11,614	—	—
Finished goods	591,738	596,200	573	1,582
	688,576	704,419	573	1,582

25. Trade and other Receivables

	The Group		The Company	
	2012 USD'000	2011 USD'000	2012 USD'000	2011 USD'000
Trade receivables	658,929	621,326	—	3
Less: Allowances for doubtful debts	(13,987)	(14,680)	—	—
	644,942	606,646	—	3
Other receivables	43,981	66,811	8,005	11,361
	688,923	673,457	8,005	11,364

The aged analysis of trade receivables, net of allowances for doubtful debts, presented on the basis of the revenue recognition date, which is usually the invoice date at the end of the reporting period is as follows:

	The Group		The Company	
	2012 USD'000	2011 USD'000	2012 USD'000	2011 USD'000
0 to 60 days	604,671	569,695	—	—
61 to 120 days	24,127	17,145	—	—
121 days or above	16,144	19,806	—	3
Total trade receivables	644,942	606,646	—	3

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of USD16,144,000 (2011: USD19,806,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 243 days (2011: 247 days).

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. Trade receivables that were past due but not provided for impairment loss are related to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

25. Trade and other Receivables *(continued)*

Ageing of trade receivables which are past due but not impaired:

	The Group		The Company	
	2012 USD'000	2011 USD'000	2012 USD'000	2011 USD'000
121 - 365 days	16,144	19,536	—	3
1 - 2 years	—	270	—	—
Total	16,144	19,806	—	3

Movement in the allowance for doubtful debts:

	The Group		The Company	
	2012 USD'000	2011 USD'000	2012 USD'000	2011 USD'000
Balance at the beginning of the year	14,680	15,528	—	—
Currency realignment	258	(138)	—	—
Impairment losses recognised on receivables	3,428	2,992	—	—
Amounts written off as uncollectible	(3,701)	(1,697)	—	—
Amounts recovered during the year	(678)	(2,005)	—	—
Balance at the end of the year	13,987	14,680	—	—

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to USD13,987,000 (2011: USD14,680,000) which have the worst credit scoring attributable under the internal credit scoring system used by the Group. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables (by invoice date):

	2012 USD'000	2011 USD'000
0 - 120 days	3,246	7,877
121 - 365 days	4,777	2,359
1 - 2 years	5,508	3,925
Over 2 years	456	519
Total	13,987	14,680

Under certain receivables purchase agreements, a percentage in various pools of trade receivables were factored to banks (the "Factored Trade Receivables"). As the Group still retained the risks associated in respect of default payments, the Group continued to recognise the Factored Trade Receivables in the consolidated statement of financial position. At the end of the reporting period, proceeds from the Factored Trade Receivables of approximately USD75,000,000 (2011: USD71,800,000) were recognised as liabilities and included in "Unsecured borrowings – due within one year" in the consolidated statement of financial position.

26. Bills Receivable

All the Group's bills receivable at December 31, 2012 and 2011 are due within 120 days.

27. Amounts Due from/(to) Subsidiaries

The amounts are unsecured, interest-free and payable on demand.

28. Trade Receivables from Associates

The trade receivables from associates are aged less than 30 days and are due within 120 days.

29. Derivative Financial Instruments

	The Group		The Company	
	2012 USD'000	2011 USD'000	2012 USD'000	2011 USD'000
Assets				
Foreign currency forward contracts – under hedge accounting	49	—	49	—
Foreign currency forward contracts – not under hedge accounting	5,657	8,645	—	2,776
Warrants	—	222	—	222
	5,706	8,867	49	2,998
Liabilities				
Foreign currency forward contracts – under hedge accounting	1,303	—	1,303	—
Foreign currency forward contracts – not under hedge accounting	5,727	4,234	—	2,837
Interest rate swap	4,667	4,768	4,667	4,768
	11,697	9,002	5,970	7,605

Foreign Currency Forward Contracts

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Foreign Currency Forward Contracts under hedge accounting

At the end of the reporting period, the Group had the following foreign currency forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency forecast sales. The terms of the foreign exchange contracts have been negotiated to match the terms of the respective designated hedged items.

Major terms of the foreign currency forward contracts under hedge accounting are as follows:

The Group and the Company

2012

Notional amount	Maturity	Exchange rates
Sell EUR 82.5M, Buy USD	January 31, 2013 to December 31, 2013	USD 1.2894 to 1.3273 : EUR 1

29. Derivative Financial Instruments *(continued)***Foreign Currency Forward Contracts** *(continued)*

Major terms of the foreign currency forward contracts not under hedge accounting are as follows:

The Group**2012**

Notional amount	Maturity	Exchange rates
Sell PLN 9M, Buy EUR	January 24, 2013 to September 19, 2013	PLN 4.2247 to 4.3310 : EUR 1
Buy USD 1.39M, Sell NZD	January 22, 2013 to February 22, 2013	NZD 1.2237 to 1.2259 : USD 1
Buy USD 19.25M, Sell AUD	January 22, 2013 to February 22, 2013	USD 1.0372 to 1.0399 : AUD 1
Buy USD 159M, Sell RMB	January 9, 2013 to October 15, 2013	RMB 6.2840 to 6.4530 : USD 1
Buy USD 72M, Sell GBP	January 2, 2013 to December 14, 2013	USD 0.6171 to 0.6392 : GBP 1
Sell EUR 31M, Buy USD	January 15, 2013 to August 1, 2013	USD 1.2436 to 1.3137 : EUR 1
Sell USD 189M, Buy RMB	January 9, 2013 to December 31, 2013	RMB 6.3440 to 6.4985 : USD 1

2011

Notional amount	Maturity	Exchange rates
Sell USD 455M, Buy RMB	January 10, 2012 to July 10, 2013	RMB 6.3128 to 6.5000 : USD 1
Sell USD 8M, Buy AUD	February 12, 2012 to March 20, 2012	USD 1.0650 to 1.0725 : AUD 1
Sell USD 0.95M, Buy NZD	January 24, 2012 to February 23, 2012	USD 0.8200 to 0.8225 : NZD 1
Sell EUR 15M, Buy USD	January 31, 2012 to December 31, 2012	USD 1.2943 : EUR 1
Buy USD 213M, Sell RMB	January 10, 2012 to December 31, 2012	RMB 6.3128 : USD 1
Buy USD 56.6M, Sell GBP	January 3, 2012 to July 5, 2012	USD 1.5499 to 1.6476 : GBP 1
Buy USD 13M, Sell AUD	January 23, 2012 to March 20, 2012	USD 1.0519 to 1.0725 : AUD 1
Buy USD 0.7M, Sell NZD	January 25, 2012 to February 23, 2012	USD 0.8200 to 0.8225 : NZD 1

The Company**2012**

Notional amount	Maturity	Exchange rates
Sell EUR 82.5M, Buy USD	January 31, 2013 to December 31, 2013	USD 1.2894 to 1.3273 : EUR 1

2011

Notional amount	Maturity	Exchange rates
Sell EUR 15M, Buy USD	January 31, 2012 to December 31, 2012	USD 1.2943 : EUR 1
Buy USD 60M, Sell RMB	January 10, 2012 to May 18, 2012	RMB 6.3128 : USD 1
Sell USD 242M, Buy RMB	January 11, 2012 to July 10, 2013	RMB 6.5000 : USD 1

29. Derivative Financial Instruments *(continued)*

Interest Rate Swap (not under hedge accounting)

The fair value of the interest rate swap of the Group and the Company is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Major terms of the interest rate swap are as follows:

The Group and the Company

2012

Notional amount	Maturity	Receive floating	Pay fixed
USD 62,000,000	December 31, 2013 to May 4, 2016	LIBOR	1.2% - 3.1%

2011

Notional amount	Maturity	Receive floating	Pay fixed
USD 70,000,000	December 31, 2013 to May 4, 2016	LIBOR	1.2% - 3.1%

Warrants

At December 31, 2011, the Group and the Company owned 2,222,222 warrants to acquire the ordinary shares of a listed company in US. The fair value of the warrants was determined by an option pricing model. The warrants were expired and the Group and the Company did not exercise such warrants during 2012.

30. Held-for-Trading Investments

The Group's and the Company's held-for-trading investments at December 31, 2012 and 2011 are carried at fair value using the market bid prices on the closing date method.

Held for trading investments include:

	The Group		The Company	
	2012 USD'000	2011 USD'000	2012 USD'000	2011 USD'000
Equity securities:				
– Listed in US	5,980	8,288	5,980	8,288

The Group and the Company hold approximately 20 per cent of the voting power in the equity securities of a company listed in the US but it has no significant influence over the investee. In making their assessment, the directors considered the definition of significant influence in HKAS 28 Investment in Associates and, in particular, whether the Group has the power to participate in the financial and operating policy decisions of the investee. Considering that the Group has no representative on the investee's board of directors and no right to appoint or remove a director to the board of directors, no exchange of management personnel with the investee nor any participation in the investee's policy-making process, the directors of the Company concluded that the Group and the Company have no significant influence over the investee.

31. Bank Balances, Deposits and Cash/Bank Overdrafts

Bank balances carry interest at market rates which range from 0.10% to 0.27% (2011: 0.07% to 0.18%). Bank overdrafts carry interest at market rates which range from 3.25% to 5.00% (2011: 3.25% to 5.00%).

32. Trade and other Payables

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	The Group		The Company	
	2012 USD'000	2011 USD'000	2012 USD'000	2011 USD'000
0 to 60 days	309,719	259,435	—	—
61 to 120 days	80,517	93,376	—	—
121 days or above	1,557	7,048	5	1,027
Total trade payables	391,793	359,859	5	1,027
Other payables	318,698	259,004	20,961	13,874
	710,491	618,863	20,966	14,901

The credit period on the purchase of goods ranges from 30 days to 120 days (2011: 30 days to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.