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## SAMSON HOLDING LTD.

順誠控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00531)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “Board”) of Samson Holding Ltd. (the “Company”) is pleased to announce the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 with the comparative figures as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 US\$'000	2019 US\$'000
Revenue	4	397,582	457,240
Cost of sales		<u>(302,075)</u>	<u>(323,211)</u>
Gross profit		95,507	134,029
Other income, gains, losses and expenses	4	13,629	9,540
Distribution costs		(11,731)	(16,484)
Sales and marketing expenses		(57,288)	(71,880)
Administrative expenses		(52,459)	(50,955)
Impairment of property, plant and equipment		–	(41,346)
Share of loss of an associate		(54)	(12)
Finance costs		<u>(4,499)</u>	<u>(8,074)</u>
Loss before tax	5	(16,895)	(45,182)
Income tax credit/(expense)	6	<u>1,174</u>	<u>(3,341)</u>
Loss for the year		<u><u>(15,721)</u></u>	<u><u>(48,523)</u></u>
<b>Attributable to:</b>			
Owners of the parent		(14,007)	(48,609)
Non-controlling interests		<u>(1,714)</u>	<u>86</u>
		<u><u>(15,721)</u></u>	<u><u>(48,523)</u></u>
Loss per share attributable to ordinary equity holders of the parent	8		
– Basic (in US cent)		<u><u>(0.45)</u></u>	<u><u>(1.56)</u></u>
– Diluted (in US cent)		<u><u>(0.45)</u></u>	<u><u>(1.56)</u></u>

\* For identification purposes only

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Loss for the year	<u>(15,721)</u>	<u>(48,523)</u>
<b>Other comprehensive loss</b>		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(2,746)</u>	<u>(2,496)</u>
<b>Total comprehensive loss for the year</b>	<u><b>(18,467)</b></u>	<u><b>(51,019)</b></u>
<b>Attributable to:</b>		
Owners of the parent	(16,764)	(51,115)
Non-controlling interests	<u>(1,703)</u>	<u>96</u>
	<u><b>(18,467)</b></u>	<u><b>(51,019)</b></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>US\$'000</i>	<b>2019</b> <i>US\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>85,062</b>	87,474
Investment properties		<b>7,234</b>	7,462
Right-of-use assets		<b>46,713</b>	52,153
Goodwill		<b>25,793</b>	25,793
Other intangible assets		<b>4,400</b>	5,354
Investment in an associate		<b>934</b>	988
Deposits for acquisition of prepaid land lease		<b>36,880</b>	36,880
Deferred tax assets		<b>4,299</b>	7,706
		<hr/>	<hr/>
Total non-current assets		<b>211,315</b>	223,810
<b>CURRENT ASSETS</b>			
Inventories		<b>124,593</b>	140,118
Trade and other receivables	<i>9</i>	<b>97,221</b>	108,099
Held-for-trading investments	<i>10</i>	<b>95,490</b>	93,748
Tax recoverable		<b>3,513</b>	2,170
Pledged bank deposits		<b>10,308</b>	3,942
Short term bank deposits		<b>–</b>	4,200
Cash and cash equivalents		<b>26,047</b>	62,678
		<hr/>	<hr/>
Total current assets		<b>357,172</b>	414,955
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>11</i>	<b>77,756</b>	76,759
Interest-bearing bank borrowings		<b>109,609</b>	154,569
Lease liabilities		<b>7,510</b>	7,276
Tax payable		<b>11,171</b>	8,895
		<hr/>	<hr/>
Total current liabilities		<b>206,046</b>	247,499
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		<b>151,126</b>	167,456
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/>	<hr/>
		<b>362,441</b>	391,266

## CONSOLIDATED STATEMENT ON FINANCIAL POSITION

At 31 December 2020

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	19,622	23,885
Interest-bearing bank borrowings	45,365	32,550
Deferred tax liabilities	2,449	7,409
	<hr/>	<hr/>
Total non-current liabilities	67,436	63,844
	<hr/>	<hr/>
Net assets	295,005	327,422
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Issued capital	155,374	155,946
Reserves	139,631	162,610
	<hr/>	<hr/>
	295,005	318,556
Non-controlling interests	–	8,866
	<hr/>	<hr/>
Total equity	295,005	327,422
	<hr/> <hr/>	<hr/> <hr/>

## NOTES:

### 1. BASIS OF PREPARATION

The 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”), accounting principles generally accepted in Hong Kong 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.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

### **3. 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\$25,068,000 (2019: US\$44,355,000) represents the loss before tax earned by the single reportable segment excluding administrative expenses, other income, gains, losses and expenses, non-lease-related finance costs, impairment of property, plant and equipment and share of loss 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:

	<b>Reportable segment total</b>	<b>Unallocated</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>2020</b>			
Share of loss of an associate	54	–	54
Impairment losses recognised statement of profit or loss, net	1,383	–	1,383
Depreciation of property, plant and equipment	8,645	910	9,555
Provision of inventories, net	(1,905)	–	(1,905)
Investment in an associate	934	–	934
Capital expenditure*	7,657	–	7,657
	<u>7,657</u>	<u>–</u>	<u>7,657</u>
<b>2019</b>			
Share of loss of an associate	12	–	12
Impairment losses, recognised statement of profit or loss, net	42,810	–	42,810
Depreciation of property, plant and equipment	12,797	863	13,660
Provision of inventories, net	807	(33)	774
Investment in an associate	988	–	988
Capital expenditure*	34,087	–	34,087
	<u>34,087</u>	<u>–</u>	<u>34,087</u>

\* Capital expenditure consists of additions to property, plant and equipment, prepaid land leases and intangible assets, including assets from the acquisition of a subsidiary and a business unit.

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

## Geographical information

The Group's operations are mainly located in the People's Republic of China (the "PRC"), the United States of America (the "U.S."), Bangladesh and Vietnam.

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		Non-current assets (Note)	
	Year ended 31 December		As at 31 December	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
PRC, including Hong Kong	7,526	10,575	65,287	70,687
U.S.	378,499	427,993	79,240	83,315
Bangladesh	–	–	4,140	4,834
Vietnam	–	–	57,100	55,744
Others	11,557	18,672	1,249	1,524
	<u>397,582</u>	<u>457,240</u>	<u>207,016</u>	<u>216,104</u>

Note: Non-current assets excluded the deferred tax assets.

## Information about a major customer

During the years ended 31 December 2020 and 2019, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

## 4. REVENUE, OTHER INCOME, GAINS, LOSSES AND EXPENSES

An analysis of revenue is as follows:

	2020 US\$'000	2019 US\$'000
<i>Revenue from contract with customers</i>		
Sale of furniture	397,274	456,929
<i>Revenue from other sources</i>		
Service fee income	308	311
	<u>397,582</u>	<u>457,240</u>



## Revenue from contract with customers

### (i) Disaggregated revenue information

Segment – Furniture	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>Types of goods or services</b>		
Sale of furniture and total revenue from contracts with customers	<u>397,274</u>	<u>456,929</u>
<b>Geographical markets</b>		
The PRC, including Hong Kong	7,218	10,264
The United Kingdom (“U.K.”)	–	3,372
The U.S.	378,499	427,993
Others	<u>11,557</u>	<u>15,300</u>
Total revenue from contracts with customers	<u><u>397,274</u></u>	<u><u>456,929</u></u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time and total revenue from contracts with customers	<u><u>397,274</u></u>	<u><u>456,929</u></u>

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

Segment – Furniture	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>Revenue from contracts with customers</b>		
External customers and total revenue from contracts with customers	<u><u>397,274</u></u>	<u><u>456,929</u></u>

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 and recognised from performance obligations satisfied in previous periods:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	<u><u>20,126</u></u>	<u><u>22,717</u></u>

**(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.

*Customer loyalty scheme income*

The performance obligation is satisfied upon the customers utilising the award credits earned upon the subsequent purchase. The award credits are valid for a period of seven months, and the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
Amounts expected to be recognized as revenue:		
Within one year	<b>418</b>	496

The remaining performance obligations are expected to be recognised within one year.

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

	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<u>Other income</u>		
Bank interest income	272	819
Interest income from held-for-trading investments	2,073	5,024
Rental income	2,341	1,370
	<b>4,686</b>	7,213
<u>Other gains, losses and expenses</u>		
Foreign exchange differences, net	514	(1,972)
Gain/(loss) on disposal of items of property, plant and equipment	1,180	(2,380)
Net gain on held-for-trading investments	2,008	4,672
Others	5,241	2,007
	<b>8,943</b>	2,327
	<b>13,629</b>	9,540

## 5. LOSS BEFORE TAX

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Cost of inventories sold	303,980	322,437
Depreciation of investment properties	228	228
Depreciation of property, plant and equipment	9,555	13,660
Depreciation of right-of-use assets	8,187	7,710
Amortisation of other intangible assets	219	238
Government subsidies*	479	–
(Gain)/loss on disposal of items of property, plant and equipment	(1,180)	2,380
Lease payments not included in the measurement of lease liabilities	803	3,918
Auditors' remuneration	904	818
Employee benefits expense (excluding directors' remuneration)		
Wages, salaries and allowances	99,547	111,078
Retirement benefit scheme contributions	804	1,732
	<u>100,351</u>	<u>112,810</u>
Impairment of property, plant and equipment	–	41,346
Impairment of other intangible assets	735	200
Impairment of trade receivables	648	1,264
Write-down of inventories to net realisable value	3,561	3,547
Reversal of write-down of inventories	<u>(5,466)</u>	<u>(2,773)</u>

\* During the year ended 31 December 2020, the Group received government grants and subsidies amounting to US\$479,000 and US\$12,767,000 in the PRC and the U.S., respectively, to obtain monetary support to sustain payroll and operational expenses of the Group during the coronavirus outbreak. As at 31 December 2020, an amount of US\$479,000, which did not have unfulfilled conditions or contingencies, was included in "Other income, gains, losses and expenses" in the consolidated statement of profit or loss, and the remaining balance of US\$12,767,000, which has no reasonable assurance that it will meet the terms of forgiveness, was included in "Other payables and accruals".

## 6. INCOME TAX

For the Group's subsidiaries established in the U.S., income tax is calculated at the rate of 21% (2019: 21%).

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2020. Hong Kong profits tax had been provided at the rate of 16.5% on the assessable profits arising in Hong Kong during the year ended 31 December 2019.

The applicable tax rate for the PRC subsidiaries of the Group is 25% (2019: 25%).

Taiwan Income Tax is calculated at 20% (2019: 20%) of certain subsidiaries' assessable profits.

In accordance with the relevant tax rules and regulations in Vietnam, the income tax rate applicable to the Group's subsidiaries in Vietnam is 20% (2019: 20%).

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

	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
Current tax:		
U.S.	(1,412)	99
PRC	–	1,048
Taiwan	1,025	1,383
Vietnam	–	195
Elsewhere	<u>769</u>	<u>307</u>
	382	3,032
Deferred tax	<u>(1,556)</u>	<u>309</u>
	<u><u>(1,174)</u></u>	<u><u>3,341</u></u>

## 7. DIVIDENDS

No dividend has been paid or declared during the year ended 31 December 2020 (2019: Nil).

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted loss per share for the year are based on:

	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
Loss for the year and loss for the purpose of basic and diluted loss per share	<u>(14,007)</u>	<u>(48,609)</u>
	<b>2020</b> <i>Number of shares</i>	2019 <i>Number of shares</i>
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation*	<u><u>3,108,758,365</u></u>	<u><u>3,115,216,347</u></u>

\* No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

## 9. TRADE AND OTHER RECEIVABLES

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:

	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade receivables:		
Within 1 month	27,130	42,496
1 to 2 months	19,399	13,906
Over 2 months	<u>13,696</u>	<u>19,836</u>
	60,225	76,238
Other receivables and prepayments	<u>36,996</u>	<u>31,861</u>
	<u><u>97,221</u></u>	<u><u>108,099</u></u>

## 10. HELD-FOR-TRADING INVESTMENTS

	2020 US\$'000	2019 US\$'000
Debt securities, at fair value:		
Listed in the U.S. with average yield rate of 1.46% to 4.93% and maturity from January 2020 to September 2021	1,228	1,840
Listed in Hong Kong with average yield rate of 3.14% to 3.16% and maturity from January 2020 to April 2077	5,032	4,712
Listed in Singapore with average yield rate of 2.73% to 2.74% and maturity from March 2020 to September 2080	5,050	4,777
Listed in other jurisdictions with average yield rate of 2.26% and maturity from March 2021 to June 2026	1,241	1,448
Investment fund portfolio A, at fair value ( <i>Note</i> )	82,232	80,569
Investment fund portfolio B, at fair value ( <i>Note</i> )	215	200
Investment fund portfolio C, at fair value ( <i>Note</i> )	200	202
Investment fund portfolio D, at fair value ( <i>Note</i> )	292	–
	<u>95,490</u>	<u>93,748</u>

The above investments as at 31 December 2020 and 2019 were classified as financial assets at fair value through profit or loss as they are held for trading.

*Note:* The investment fund portfolios 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 United Banicare 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 2020, the Group received dividends of US\$1,605,000 (31 December 2019: US\$4,262,000) 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 2020, the Group holds 80,500 units (31 December 2019: 80,500 units) of Investment fund portfolio A which accounted for approximately 14.5% (31 December 2019: 12.6%) of the total assets of the Group, and the unrealised profit of Investment fund portfolio A amounted to US\$1,663,000 was charged to profit or loss during the year ended 31 December 2020 (2019: US\$69,000). The Group holds the portfolio A for capital appreciation and has been closely monitoring the performance from time to time.

## 11. 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:

	2020 US\$'000	2019 US\$'000
Trade payables:		
Within 1 month	12,517	13,733
1 to 2 months	3,457	3,827
Over 2 months	5,879	6,413
	<u>21,853</u>	<u>23,973</u>
Other payables and accruals	55,903	52,786
	<u>77,756</u>	<u>76,759</u>

## 12. BUSINESS COMBINATIONS

- (a) On 16 July 2019, the Group acquired a 70% interest in Jolly State International Limited and its subsidiary, namely Timber Industries Co., Ltd. (collectively “Timber”) from an independent third party at a cash consideration of US\$32,550,000. Timber is engaged in the manufacture and sales of furniture and home accessories. The acquisition was made as the transfer of production line to South East Asia. The purchase consideration for the acquisition was in the form of cash, with US\$9,765,000 paid on 16 July 2019 and the remaining US\$6,510,000 and US\$16,275,000 paid on 2 August 2019 and 29 October 2019, respectively.

The Group has elected to measure the non-controlling interest in Timber at the non-controlling interest’s proportionate share of Timber’s identifiable net assets.

The fair values of the identifiable assets and liabilities of Timber as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisition</b> <i>US\$’000</i>
Property, plant and equipment	24,146
Right-of-use assets	11,698
Deferred tax liability	<u>(6,612)</u>
Total identifiable net assets at fair value	29,232
Non-controlling interests	<u>(8,770)</u>
	20,462
Goodwill on acquisition	<u>12,088</u>
Satisfied by cash	<u><u>32,550</u></u>

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	<i>US\$’000</i>
Cash consideration	<u>(32,550)</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u><u>(32,550)</u></u>

Since the acquisition, Timber contributed US\$29,099,000 to the Group’s revenue and profit of US\$778,000 to the consolidated loss for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year ended 31 December 2019, the revenue of the Group and the loss of the Group for the year ended 31 December 2019 would have been US\$496,379,000 and US\$43,088,000, respectively.

- (b) On 30 September 2019, the Group acquired a business unit from an independent third party at a cash consideration of US\$2,670,000. The acquisition was made to expand the Group's upholstery component. The purchase consideration was fully settled by cash of US\$2,670,000 on 30 September 2019.

The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisition</b> <i>US\$'000</i>
Property, plant and equipment	768
Inventories	1,102
Trade and other receivables	897
Other payables and accruals	(97)
	<hr/>
Total identifiable net assets at fair value	2,670
	<hr/>
Satisfied by cash	2,670
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The fair values and gross contractual amounts of the trade and other receivables as at the date of acquisition amounted to US\$897,000.

An analysis of the cash flows in respect of the acquisition of the business unit is as follows:

	<i>US\$'000</i>
Cash consideration	(2,670)
	<hr/>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(2,670)
	<hr/> <hr/>

Since the acquisition, the business unit contributed US\$2,533,000 to the Group's revenue and US\$478,000 to the consolidated loss for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year ended 31 December 2019, the revenue of the Group and the loss of the Group for the year ended 31 December 2019 would have been US\$466,206,000 and US\$50,477,000, respectively.

- (c) On 3 August 2020, the Group entered into a share transfer agreement with an independent third party to acquire 30% of the equity interest of Timber, at a total cash consideration of US\$13,950,000. As a result of the acquisition, the Group owns 100% of the equity interest of Timber. The acquisition was completed on 3 August 2020. The carrying amount of the non-controlling interest in Timber on the date of acquisition was US\$7,163,000. The Group recognised a decrease in non-controlling interest of US\$7,163,000 and a decrease in equity attributable to owners of the Company of US\$6,787,000.

	<b>2020</b> <i>US\$'000</i>
Carrying amount of non-controlling interest acquired	7,163
Consideration paid to a non-controlling shareholder	(13,950)
	<hr/>
Excess of consideration recognised within equity	(6,787)
	<hr/> <hr/>

## BUSINESS REVIEW

Samson first entered the high-end luxury home furnishing market in 2017 with the acquisition of Baker Interiors Group, LTD. (*formerly known as Kohler Interiors Group, LTD.*). The subsequent purchase of Southern Furniture in 2019 further strengthened Samson's already impressive portfolio, enabling the expansion of customized upholstery business through the Universal Furniture brand. These strategic moves have fuelled the steady growth of Samson's mid to high-end brands in the United States. In addition, the introduction of a leading edge data-driven management system has resulted in more optimal production processes and cost allocation.

The worldwide COVID-19 pandemic forced a suspension of global economic activities, resulting in a challenging 2020 for both Samson and the entire furniture industry. While the industry continues to face supply chain disruptions due to the extended lockdown, Samson has been responding to adversities through flexible strategic adjustments. Although sales reduced significantly in the first half of 2020, the diversification of sales channels and the recovery of the U.S. housing market have put Samson back on track. On the demand side, the Federal Reserve ("FED") lowered the interest rate to zero in March 2020 in support of household and business cash flow. The lower mortgage rates have led to a more encouraging and stable housing market, which in turn has powered a healthy upward trend of order volume for the F&HF industry. On the supply side, in order to meet the rising demand and mitigate the risk of supply disruption, Samson is partnering with several shipping service providers to ensure container availability while also expanding workforce recruitment to handle the additional volume. Samson expects to construct another upholstery factory in Vietnam in the second half of 2021 and add three production lines in the U.S.. We expect these timely measures will alleviate any shipment constraints in the second half of 2021.

The COVID-19 pandemic has also accelerated the growth of e-commerce. While High Point Market is postponed in 2021, the Group switched to a more active selling strategy and captured additional sales opportunities through dedicated virtual tours and e-selling events. The current order pipeline indicates that customers are receptive to the new sales model, allowing the Group to reduce reliance on offline sales and reach a wider customer base year around. Samson has also entered into partnership with Costcodirect.com, taking advantage of its home delivery, product buyout, and cross-season sales offerings. Looking ahead to post-pandemic era, Samson will continue to develop its non-traditional capabilities and to grow its online presence.

Samson is no longer impacted by the tariff due to political tension and trade war between China and the U.S., mainly thanks to its swift measures of sourcing its U.S.-bound products from partners in Vietnam as well as its own facilities in Vietnam and Bangladesh. The acquisition of the Vietnamese facility, Timber Industries Co., Ltd., has been fully completed in 2020 with a dedicated production line for Universal Furniture, two lines for OEM customers, and one new upholstery production line with production capacity of 700 containers per month. The investment in Bangladesh has also blossomed, and the expanded production of dining tables and chairs in Bangladesh remains on track. Since 2020, Samson has successfully transferred from a China-centric manufacturing process to a globally diverse footprint and is better equipped to manage future uncertainties in the global market.

Overall, with rising demand and stabilizing container availability, the Group expects sustainable recovery of postponed orders and shipments with improved financials in 2021.



## **FINANCIAL REVIEW**

Net sales for the year was US\$397.6 million compared to US\$457.2 million in 2019, a decrease of US\$59.6 million or 13.0%. The decrease in net sales was mainly attributable to the global outbreak of coronavirus disease 2019 (the “COVID-19”) and the shortage of international containers, resulted in postponement of lots of confirmed orders and shipments by end customers.

Gross profit for the year was US\$95.5 million, a decrease of US\$38.5 million from US\$134.0 million in 2019. Gross profit margin decreased to 24.0% from 29.3% in 2019. The decrease in gross profit margin was mainly attributable to the temporary suspension of operation and regional lockdowns of the Group’s principal markets and manufacturing operation in various cities amid outbreak of the COVID-19 since the beginning of 2020, while certain operating costs of the Group remain stable.

Compared with US\$139.3 million in 2019, total operating expenses were recorded at US\$121.5 million in 2020. The decrease in operating expenses was mainly attributable to effective cost control measures and reduced operating expenses from the shutdown of the U.K. subsidiary in 2019 but partially offset by the newly acquired company.

Compared with a loss of US\$48.5 million in 2019, the Group recorded a loss of US\$15.7 million in 2020, decrease in loss for the year mainly due to an one time non-cash impairment loss of US\$41.3 million from a PRC subsidiary caused by the trade tension between China and the U.S. was recorded in 2019 and such impairment loss was not recorded for the year. Excluding the one time non-cash impairment loss, the loss for the year was attributable to the decrease of sales due to the global spread of the COVID-19, while relatively fixed costs attached to the operation of the Group remain.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2020, the Group’s cash and cash equivalents decreased by US\$36.7 million to US\$26.0 million from US\$62.7 million as at 31 December 2019. Interest-bearing bank borrowings decreased from US\$187.1 million as at 31 December 2019 to US\$155.0 million as at 31 December 2020. The corresponding gearing ratio (total bank borrowings/shareholders’ equity) decreased from 58.7% as at 31 December 2019 to 52.5% as at 31 December 2020. The Group possesses sufficient cash and available banking facilities to meet working capital requirements and to enable further acquisitions with confidence.

Cash and cash equivalents held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling, Vietnamese Dong, New Taiwan dollars, Indonesian Rupiah and Hong Kong dollars. As at 31 December 2020, interest-bearing bank borrowings of US\$109.6 million (31 December 2019: US\$154.6 million) bore interest at either the floating rates or fixed rate ranging from 0.7% to 1.9% respectively and long term bank borrowing of US\$45.4 million bore interest at a floating rate (31 December 2019: US\$32.5 million).

Sources of liquidity include cash and cash equivalents, short term bank deposits, 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 Renminbi and Vietnamese Dong. Although the majority of the total revenue is denominated in U.S. dollars, a substantial portion of cost of sales is paid in Renminbi and part of the sales is denominated in U.K. Pound Sterling. The exchange rates of Vietnamese Dong and Renminbi have fluctuated substantially in recent years and may continue to fluctuate in the foreseeable future.

The Group's current assets have decreased by 13.9% to US\$357.2 million from US\$415.0 million as at 31 December 2019; the Group's current liabilities have decreased by 16.7% to US\$206.0 million from US\$247.5 million as at 31 December 2019. The current ratio (current assets/current liabilities) is 1.7 times (31 December 2019: 1.7 times).

## **PLEDGE OF ASSETS**

As at 31 December 2020, certain of the Group's property, plant and equipments, investment properties, other intangible assets, inventories, trade and other receivables and bank deposits with an aggregate carrying amount of US\$185.0 million (31 December 2019: US\$162.7 million) have been pledged to banks to secure the general banking facilities granted to the Group.

## **CAPITAL EXPENDITURE**

Capital expenditures for the year ended 31 December 2020 amounted to US\$7.7 million compared to US\$34.1 million in 2019. Capital expenditure was mainly incurred for the purpose of upgrading and renovation of plant and machinery in the U.S. and the expansion of new production lines in the U.S. and Vietnam.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP**

### **(i) Acquisition of a subsidiary**

On 16 July 2019, the Group acquired a 70% interest in Timber from an independent third party at a cash consideration of US\$32,550,000. Timber is engaged in the manufacture and sales of furniture and home accessories. The acquisition was made as the transfer of production line to South East Asia. The purchase consideration for the acquisition was in the form of cash, with US\$9,765,000 paid on 16 July 2019 and the remaining US\$6,510,000 and US\$16,275,000 paid on 2 August 2019 and 29 October 2019, respectively.

On 3 August 2020, the Group entered into a share transfer agreement with an independent third party to acquire 30% of the equity interest of Timber, at a total cash consideration of US\$13,950,000. As a result of the acquisition, the Group owns 100% of the equity interest of Timber. The acquisition was completed on 3 August 2020. The carrying amount of the non-controlling interest in Timber on the date of acquisition was US\$7,163,000. The Group recognised a decrease in non-controlling interest of US\$7,163,000 and a decrease in equity attributable to owners of the Company of US\$6,787,000. Details of this transaction are disclosed in the Company's announcement dated 3 August 2020.

## **(ii) Disposal of an investment in the Sub-Fund**

On 18 December 2019, the Group disposed of part of its investment in the Sub-Fund set up by UBP made under the mandate agreement. The principal amount of such investment being disposed was US\$69,500,000 and the consideration for the Disposal was US\$70,036,540. The Company recognized a gain of US\$536,540 from the Disposal. Details of this transaction are disclosed in the Company's announcement dated 16 September 2020.

## **OUTLOOK**

The strong recovery of the U.S. housing market remains a source of optimism for the furniture industry in general. The Fed's zero interest rate policy is expected to continue, which allows housing starts and existing home sales, along with the F&HF demand to recover from the impact of the COVID-19 pandemic. Social distancing has also stimulated higher furniture demand due to increased time at home. Looking forward to 2021, the order pipeline has filled into the third quarter of the year and the market demand continues to be strong.

However, global shortage of international containers has challenged the entire industry on its ability to satisfy demand. Samson adopted timely measures through active cooperation with shipping companies to ensure container availability as well as the introduction of cutting edge data-driven management systems to optimize overall capacity. In addition, the Group has refocused its marketing strategy by shifting to more active, online-centric approaches in order to reach a wider customer base. This new strategy breaks the restrictions of traditional offline sales and reduces fixed cost effectively. With increased production capacity in Vietnam and a diversification of route to market, Samson is well positioned to maintain its competitive edge and continues to increase its market share in the U.S., making 2021 a very promising year for us.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the qualification as members of the Company to attend and vote at the annual general meeting of the Company (the "AGM"), the register of members of the Company will be closed from Friday, 14 May 2021 to Thursday, 20 May 2021, both days inclusive, during which period no transfers of shares will be registered. In order to qualify as members to attend and vote at the AGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 May 2021.

## CORPORATE GOVERNANCE

The Board is committed to maintaining high standard of corporate governance. The Company confirms that it has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the year ended 31 December 2020, save as mentioned below.

Mr. Shan Huei KUO (“Mr. KUO”) is the Chairman of the Board and also the Chief Executive Officer of Lacquer Craft Mfg. Co., Ltd. (Zhejiang). The Group does not intend to separate these two functions as both the Board and senior management of the Group have significantly benefited from the leadership, support and experience of Mr. KUO in his management of the Board and the business of the Company.

## CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted its own “Code for Securities Transactions by Directors and Employees” (the “Company’s Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules to govern the securities transactions of the directors and relevant employees.

Having made specific enquiry, all directors have confirmed that they have complied with the Model Code and the Company’s Code throughout the year ended 31 December 2020.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2019, 11,436,000 ordinary shares were repurchased for a consideration of US\$492,000 (equivalent to HK\$3,855,000) and were cancelled on 11 February 2020.

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid HK\$’000
		Highest HK\$	Lowest HK\$	
August 2019	7,282,000	0.350	0.315	2,373
September 2019	3,154,000	0.360	0.325	1,091
October 2019	1,000,000	0.395	0.380	391
	<u>11,436,000</u>			<u>3,855</u>

The above ordinary shares repurchased were cancelled on delivery of share certificates. The nominal value of US\$572,000 of all the shares cancelled during the year ended was transferred from share repurchase reserve to share capital and share premium.

None of the Company’s subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2020.

## **AUDIT COMMITTEE REVIEW**

The financial results for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company.

## **SCOPE OF WORK OF ERNST & YOUNG**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is posted on the websites of the Company ([www.samsonholding.com](http://www.samsonholding.com)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report will be despatched to the shareholders and posted on the aforementioned websites in due course.

For and on behalf of the Board  
**SAMSON HOLDING LTD.**  
**Shan Huei KUO**  
*Chairman*

25 March 2021

*As at the date of this announcement, Mr. Shan Huei KUO (Chairman), Ms. Yi-Mei LIU and Mr. Mohamad AMINOZZAKERI are the executive directors of the Company; Mr. Sheng Hsiung PAN is the non-executive director of the Company; and Mr. Ming-Jian KUO, Mr. Siu Ki LAU and Mr. Sui-Yu WU are the independent non-executive directors of the Company.*