



Samson Holding Ltd. 順誠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 531.hk)



Interim Report 2016



UNIVERSAL
Good, Affordable, Smart Design.

Legacy
CLASSIC FURNITURE



WILLIS & GAMBIER
Furniture designed for life

smartstuff™
furniture for kids.



le kids
legacy classic

Inspirations
by wendy bellissimo



* for identification purpose only

Contents



Corporate Profile	1
Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Other Information	7
Report on Review of Condensed	
Consolidated Financial Statements	10
Condensed Consolidated Statement of Profit or Loss	11
Condensed Consolidated Statement of	
Comprehensive Income	12
Condensed Consolidated Statement of	
Financial Position	13
Condensed Consolidated Statement of	
Changes in Equity	14
Condensed Consolidated Statement of	
Cash Flows	15
Notes to the Condensed Consolidated	
Financial Statements	16

Corporate Profile

Since its establishment in 1995, Samson Group, including **Samson Holding Ltd.** (the “Company”) and its subsidiaries (the “Group”), has now become a fully vertically-integrated furniture company and ranks as one of top 10 furniture wholesalers in the United States of America (the “U.S.”) and in the United Kingdom (the “U.K.”). Further, we are among the top 3 casegoods manufacturers in Asia. We currently market a wide range of our furniture products through a portfolio of brand names including Universal Furniture, Smartstuff by Universal, Legacy Classic Furniture, Legacy Classic Kids, Craftmaster Furniture, Pennsylvania House, LacquerCraft Hospitality, Grand Manor and licensed with Paula Deen and Wendy Bellissimo in the U.S. Since October

2008, with the acquisition of a U.K. premium casegoods importer and wholesaler under the brand name “Willis Gambier”, we have established a solid presence in the U.K. and Europe. In addition to our own brands, through our mega factories named Lacquer Craft in the People’s Republic of China (the “PRC”), we also manufacture for a number of North American leading brands.

Our product offerings include a full range of home furniture for living room, dining room and bedroom. In addition, we also manufacture furniture for high-end hotels and offices.

Our team of experienced executives, employees and sales force, comprising the U.S. and the U.K. market expertise, combining with the PRC manufacturing know-how, create a globally-integrated products and services logistics platform that brings forth the most effective means of business operations by which we strive to maximise ultimate benefits to our customers and shareholders.



Corporate Information

Executive Directors

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

Non-executive 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

Ms. Pik Yuk CHENG

Authorized Representatives

Ms. Yi-Mei LIU
Ms. Pik Yuk CHENG

Registered Office

Floor 4, Willow House
Cricket Square, P O Box 2804
Grand Cayman, KY1-1112
Cayman Islands

Stock Code

The Stock Exchange of Hong Kong Limited: 531

Websites

<http://www.samsonholding.com/>
<http://www.universalfurniture.com/>
<http://www.legacyclassic.com/>
<http://www.legacyclassickids.com/>
<http://www.cmfurniture.com/>
<http://www.lacquercrafthospitality.com/>
<http://www.willisgambier.co.uk/>

Principal Places of Business

China:

Jian She Road, Jin Ju Village
Daling Shan Town
Dongguan City
Guangdong Province
China, 523820

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

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

United States of America:

2575 Penny Road
High Point, NC 27265
U.S.A.

221 Craftmaster Road
Hiddenite, NC 28636
U.S.A.

United Kingdom:

Morley Way, Peterbrough
Cambridgeshire, PE2 7BW
England, U.K.

Auditor

Ernst & Young

Principal Bankers

BNP Paribas
BSI LDT, HK
Citibank Taiwan Limited
Wachovia Bank, National Association

Share Registrars and Transfer Offices

Principal:

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch:

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





Financial Highlights

	Six months ended 30 June 2016 US\$'000	Six months ended 30 June 2015 US\$'000	Six months ended 30 June 2016 HK\$'000*	Six months ended 30 June 2015 HK\$'000*
Operating results				
Revenue	215,968	211,221	1,684,550	1,647,524
Earnings before interest and tax	8,322	12,288	64,912	95,846
Profit for the period	4,961	7,304	38,696	56,971
Earnings per share (US/HK cents)	0.16	0.24	1.25	1.87

	As at 30 June 2016 US\$'000	As at 31 December 2015 US\$'000	As at 30 June 2016 HK\$'000*	As at 31 December 2015 HK\$'000*
Financial position				
Total assets	583,402	625,066	4,550,536	4,875,515
Net current assets	250,823	281,557	1,956,419	2,196,145
Shareholders' equity	400,768	429,146	3,125,990	3,347,339

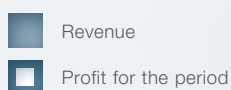
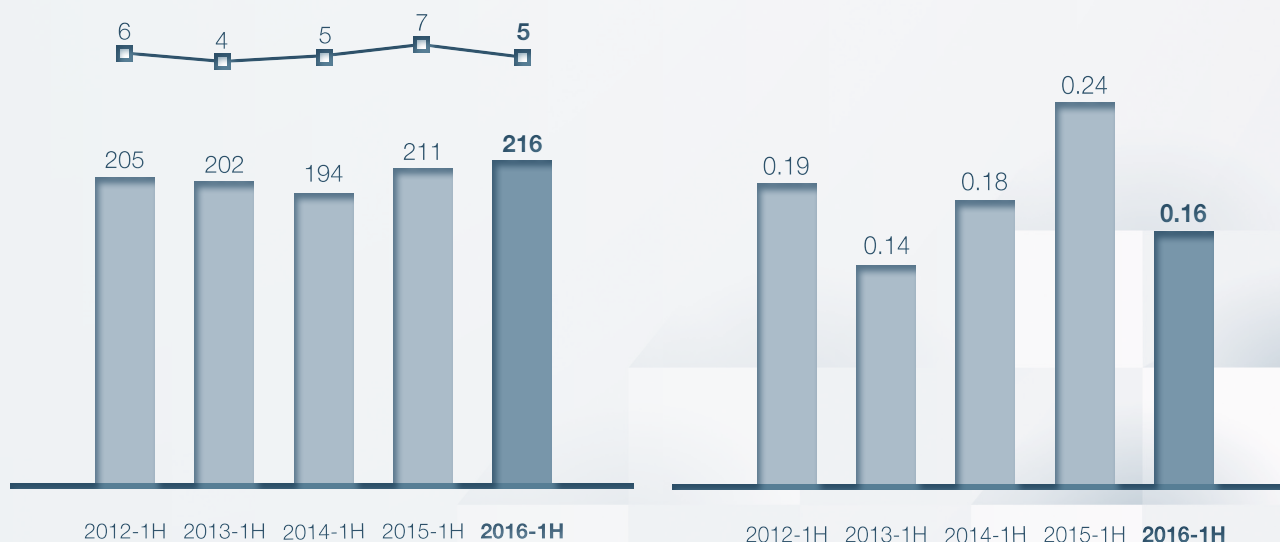
* exchange rate: US\$1 to HK\$7.8 (for reference only)

Revenue & Profit for the period

(US\$ MN)

Earnings per share

(US cents)



Management Discussion and Analysis

Business Review

We are proud to build a fully integrated U.S. wholesale furniture branding, including Universal Furniture, Smartstuff by Universal Furniture, Paula Deen Home, Legacy Classic Furniture, Legacy Classic Kids, Wendy Bellissimo, Craftmaster Furniture, Lacquer Craft Hospitality, Willis & Gambier (United Kingdom), Universal Furniture China and Athome, backed up by Lacquer Craft Furniture with its unparalleled China manufacturing operations in Dongguan and Jiashan.

A heated up presidential election in the U.S. and the “Brexit” caused disturbance to the weak U.S. consumer demands during the first half of year 2016. Amid a world of political and economic volatility, we continue to be positive and see signs of bottoming up of our business as evidenced clearly by the increased operating margins and increased core operating earnings. For the first six months of year 2016, we have achieved a low single digit growth in the top lines, with gross margins at 27.7% as a pleasant improvement from that of 25.6% for the same period last year. Excluding other income, gains, losses and expenses, core operating earnings increased to US\$7.8 million for the first six months of year 2016, as compared to US\$2.0 million for the same period in 2015.

Our casegoods business was still operating in a difficult business climate during the period as consumers were cautious of discretionary spending in the uncertain economy outlooks. Our upholstery business, however, was growing fast to ride with the U.S. economy’s early recovery. It’s “Made to Order”, “Made in the U.S.A.”, and unparalleled product value all contributed to mark our upholstery division’s triumph with continued double-digit growth for several years in the industry.

We are pleased to announce the acquisition of Grand Manor Furniture, Inc. (“Grand Manor”) to further strengthen our hospitality business by expanding its product offering into upholstery to further complement its existing product category into a total solution provider. The strategic acquisition of Grand Manor will open up an opportunity for the seating sector in the entire lodging industry in North America, Europe and Middle East where Lacquer Craft Hospitality currently has a strong presence.

We are putting efforts and resources to improve performance. By introducing better design and quality of manufacturing, we are moving up the products offering for high end category. While facing fierce competition in middle-low end category, we are strengthening both branding building and show rooms in the U.S., while improving manufacturing efficiency by committing capital expenditure in China. We now have a new business division to offer direct container with competitive price for sizable accounts. We have a clear strategy and goal in mind that we will become a top U.S. furniture manufacturer that offers a wide range of quality and affordable furniture to customers in every category.

Financial Review

Net sales for the six-month period under review was US\$216.0 million compared to US\$211.2 million in the same period last year, an increase of US\$4.8 million or 2.3%. The increase in net sales was attributable to the sales growth in Upholstery and Mass-merchandise distribution divisions.

Gross profit margin for the period increased to 27.7% from 25.6% for the same period in 2015. The improvement in margin was driven by the better product mix, category expansion and manufacturing efficiency.

Total operating expenses for the period increased to US\$51.4 million from US\$50.2 million for the same period in 2015. The increase was due to the increased variable expenses in selling and marketing with the growth of sales.

Profit for the period decreased to US\$5.0 million from US\$7.3 million for the same period in 2015. Net profit margin decreased to 2.3% from 3.5% for the same period in 2015. The decrease in profit was mainly due to the negative impact caused by the net realised and unrealised valuation loss. Such loss was substantially attributed to the conversion of Renminbi denominated bank deposits to U.S. dollars as well as the unfavourable valuation loss on the Renminbi and the U.K. Pound Sterling denominated held-for-trading investments and deposits.





Management Discussion and Analysis (cont'd)

Liquidity, Financial Resources and Capital Structure

As at 30 June 2016, the Group's cash and cash equivalents increased by US\$15.3 million to US\$111.2 million from US\$95.9 million as at 31 December 2015. Interest-bearing bank borrowings decreased by US\$9.7 million to US\$101.2 million from US\$110.9 million as at 31 December 2015. The gearing ratio (total bank borrowings/shareholders' equity) decreased slightly to 25.3% from 25.9% as at 31 December 2015. The Group's cash position remains strong and the Group possesses sufficient cash and available banking facilities to meet working capital requirements and further enable us to expand through acquisitions with confidence.

Cash and cash equivalents held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling and Hong Kong dollars. As at 30 June 2016, short term bank borrowings of US\$232,000 (31 December 2015: US\$222,000) and US\$96.4 million (31 December 2015: US\$106.1 million) bore interest at floating rate and fixed rates ranging from 0.94% to 1.22% respectively and long term bank borrowing of US\$4.6 million bore interest at floating rate (31 December 2015: US\$4.6 million).

Our sources of liquidity include cash and cash equivalents, short term bank deposits, cash from operations and general banking facilities granted to the Group. The Group maintains strong and prudent liquidity for day-to-day operations and business development.

As a result of our international operations, we are exposed to foreign exchange risk arising from various currency exposures primarily with respect to Renminbi and U.K. Pound Sterling. Although the majority of our total revenues is denominated in U.S. dollars, a substantial portion of our cost of sales is paid in Renminbi and part of the sales are denominated in U.K. Pound Sterling. The exchange rates of U.K. Pound Sterling and Renminbi to U.S. dollars have fluctuated substantially in recent years and may continue to fluctuate in the future. In order to manage the risks arising from fluctuations in foreign exchange rates, we entered into forward foreign currency contracts to help manage currency exposures associated with certain sales and cost of sales. Most of the forward exchange contracts have generally ranged from one to twelve months in maturity whereas all foreign currency exchange contracts are recognised in the balance sheet at fair value. As at 30 June 2016, outstanding forward exchange contracts with notional value amounted to US\$177.3 million (31 December 2015: US\$419.4 million).

The Group's current assets decreased by 9.4% to US\$424.9 million from US\$469.0 million as at 31 December 2015 and the Group's current liabilities decreased by 7.1% to US\$174.1 million from US\$187.4 million as at 31 December 2015. The current ratio (current assets/current liabilities) is 2.4 times (31 December 2015: 2.5 times).

Pledge of Assets

As at 30 June 2016, the Group's inventories of US\$28.7 million (31 December 2015: US\$32.8 million), trade and other receivables of US\$71.4 million (31 December 2015: US\$63.5 million), property, plant and equipment of US\$42.3 million (31 December 2015: US\$42.8 million), investment properties of US\$8.3 million (31 December 2015: US\$8.4 million), pledged bank deposits of US\$7.7 million (31 December 2015: US\$7.7 million) had been pledged to banks to secure the general banking facilities granted to the Group.

Capital Expenditure

Capital expenditure for the six months ended 30 June 2016 amounted to US\$5.5 million compared to US\$6.2 million for the same period in 2015, which was mainly incurred for the acquisition of Grand Manor (now became an indirect wholly owned subsidiary of the Company) in order to open up an opportunity in the seating sector of the lodging industry and the relocation of warehouse in the U.K. Furthermore, the Company's investment in pollution control equipment was enhanced to reduce the impact on the China environment with its increased concern in the environmental protection.

Management Discussion and Analysis (cont'd)

Outlook

The outcome of the U.S. presidential election will certainly have significant impacts to our business market in the future. We believe that our business is in the early stage of moving out from the business recession since year 2010. The strong foundation we have built across our business models over the years has positioned us well to capitalise on continuing improvements in the economy. Competition maybe fierce, and economy is unpredictable. However, we believe our capital, our management, category expansion, diversified customer base, growing distribution channels and continuing operational efficiency will be winning factors for the next recovery cycle.

Employees and Emolument Policy

As at 30 June 2016, the Group employed approximately 7,500 (30 June 2015: 8,300) full-time employees in the PRC, the U.S., the U.K. and Taiwan.

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





Other Information

Dividend

The Board has resolved the payment of an interim dividend of RMB0.03 per share for the six months ended 30 June 2016 (30 June 2015: RMB0.05 per share), amounting to approximately RMB91.3 million (30 June 2015: RMB152.2 million), to the shareholders of the Company whose names appeared on the Company's register of members on 13 September 2016. The interim dividend will be paid on 27 September 2016.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 12 September 2016 to Tuesday, 13 September 2016, both days inclusive, during which period no transfers of shares will be registered. In order to be eligible for the entitlement to the interim dividend, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 September 2016.

Corporate Governance

The Board is committed to maintaining high standards 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 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the six months ended 30 June 2016, save that Mr. Shan Huei KUO is the Chairman of the Board and also the Chief Executive Officer of Lacquer Craft Mfg. Co., Ltd. (Dongguan) and Lacquer Craft Mfg. Co., Ltd. (Zhejiang). The Group does not intend to separate these two functions as both the Board and senior management of the Group have significantly benefited from the leadership, support and experience of Mr. Kuo in his management of the Board and the business of the Company.

Changes in Directors' Biographical Details

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

Mr. Ming-Jian KUO, independent non-executive director of the Company, has resigned as an Independent Director of Cathay Financial Holding Co., Ltd. (a company listed on Taiwan Stock Exchange Corporation) as well as an Independent Director of Cathay Life Insurance Co., Ltd., Cathay United Bank Co., Ltd., Cathay Century Insurance Co., Ltd. and Cathay Securities Corporation all with effect from 1 April 2016.

Mr. Siu Ki LAU, independent non-executive director of the Company, has been appointed as the Company Secretary of Expert Systems Holdings Limited since its listing on the GEM Board of The Stock Exchange of Hong Kong Limited on 12 April 2016.

Other Information (cont'd)

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 six months ended 30 June 2016.

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

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

Share Option Scheme

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, a summary of which was incorporated in the Company's circular dated 29 April 2016.

The 2016 Share Option Scheme shall be valid and effective for a period of 10 years until 18 May 2026.

During the period from 18 May 2016 to 30 June 2016, no share option has been granted under the 2016 Share Option Scheme.

Directors' Interests in Shares and Underlying Shares

As at 30 June 2016, the interests of the directors or chief executive in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

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

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

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

Other than as disclosed above, none of the directors nor chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2016.



Substantial Shareholders' Interests in Shares

As at 30 June 2016, the interests 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 the SFO were as follows:

Name of substantial shareholders	Capacity	Number of issued ordinary shares held (Long positions)	Percentage of the issued share capital of the Company
Magnificent Capital Holding Limited	Held by a controlled corporation	2,146,346,773	70.52%
Advent Group Limited ("Advent")	Beneficial owner	2,146,346,773	70.52%

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.

Independent Auditors and Audit Committee Review

The unaudited interim report for the six months ended 30 June 2016 has been reviewed by Ernst & Young, which report is included in this report, and the Company's Audit Committee.

Report on Review of Condensed Consolidated Financial Statements



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the board of directors of Samson Holding Ltd.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements set out on pages 11 to 28, which comprise the condensed consolidated statement of financial position of Samson Holding Ltd. as of 30 June 2016 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

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

Scope of review

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

Conclusion

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

Ernst & Young

Certified Public Accountants

Hong Kong

24 August 2016



Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016



Six months ended 30 June

	Notes	2016 US\$'000 (Unaudited)	2015 US\$'000 (Unaudited)
REVENUE	4	215,968	211,221
Cost of sales		(156,238)	(157,144)
Gross profit		59,730	54,077
Other income, gains, losses and expenses		(48)	8,451
Distribution costs		(9,662)	(9,761)
Sales and marketing expenses		(21,861)	(20,927)
Administrative expenses		(19,837)	(19,552)
Finance costs		(601)	(1,840)
PROFIT BEFORE TAX	5	7,721	10,448
Income tax expense	6	(2,760)	(3,144)
PROFIT FOR THE PERIOD		4,961	7,304
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic (in US cents)		0.163	0.240
– Diluted (in US cents)		0.163	0.240

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 US\$'000 (Unaudited)	2015 US\$'000 (Unaudited)
PROFIT FOR THE PERIOD	4,961	7,304
OTHER COMPREHENSIVE LOSS: <i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	(10,025)	(2,656)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(5,064)	4,648



Condensed Consolidated Statement of Financial Position

At 30 June 2016



	Notes	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	117,923	119,852
Investment properties		8,260	8,374
Prepaid land lease payments – non-current portion		9,493	9,808
Goodwill		13,705	11,475
Other intangible assets		1,669	1,669
Cash surrender value of life insurance		618	541
Deferred tax assets		5,343	4,353
Long term bank deposit	12	1,500	–
Total non-current assets		158,511	156,072
CURRENT ASSETS			
Inventories		111,023	121,924
Trade and other receivables	10	100,770	98,877
Prepaid land lease payments – current portion		296	299
Held-for-trading investments	11	93,631	113,161
Derivative financial instruments		274	152
Pledged bank deposits		7,702	7,737
Short term bank deposits	12	–	30,946
Cash and cash equivalents	12	111,195	95,898
Total current assets		424,891	468,994
CURRENT LIABILITIES			
Trade and other payables	13	55,367	52,641
Tax payables		8,937	6,231
Derivative financial instruments		13,150	22,221
Interest-bearing bank borrowings	14	96,614	106,344
Total current liabilities		174,068	187,437
NET CURRENT ASSETS		250,823	281,557
TOTAL ASSETS LESS CURRENT LIABILITIES		409,334	437,629
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	4,590	4,597
Deferred compensation		617	837
Deferred tax liabilities		3,359	3,049
Total non-current liabilities		8,566	8,483
Net assets		400,768	429,146
EQUITY			
Issued capital	15	152,180	152,180
Reserves		248,588	276,966
Total equity		400,768	429,146

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Issued capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Share option reserve US\$'000	Merger reserve US\$'000	Statutory reserve US\$'000	Exchange reserve US\$'000	Retained profits US\$'000	Total equity US\$'000
At 1 January 2016 (audited)	152,180	185,388	1,012	-	1,581	1,174	41,745	46,066	429,146
Profit for the period	-	-	-	-	-	-	-	4,961	4,961
Other comprehensive loss for the period:									
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(10,025)	-	(10,025)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(10,025)	4,961	(5,064)
Dividend recognised as distribution	-	-	-	-	-	-	-	(23,314)	(23,314)
At 30 June 2016 (unaudited)	152,180	185,388	1,012	-	1,581	1,174	31,720	27,713	400,768
At 1 January 2015 (audited)	152,180	185,388	1,012	648	1,581	1,174	55,965	90,620	488,568
Profit for the period	-	-	-	-	-	-	-	7,304	7,304
Other comprehensive loss for the period:									
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(2,656)	-	(2,656)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(2,656)	7,304	4,648
Dividend recognised as distribution	-	-	-	-	-	-	-	(23,558)	(23,558)
At 30 June 2015 (unaudited)	152,180	185,388	1,012	648	1,581	1,174	53,309	74,366	469,658



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

Six months ended 30 June

	2016 <i>US\$'000</i> (Unaudited)	2015 <i>US\$'000</i> (Unaudited)
Net cash flows from/(used in) operating activities	28,599	(18,135)
Release of short term bank deposits	30,946	270,189
Placement of short term bank deposits	-	(289,363)
Placement of a long term bank deposit	(1,500)	-
Interest received	714	7,738
Acquisition of a subsidiary	(3,451)	-
Proceeds from disposal of items of property, plant and equipment	18	16
Withdrawal of pledged bank deposits	35	358
Purchases of items of property, plant and equipment	(4,437)	(6,157)
Net cash flows from/(used in) investing activities	22,325	(17,219)
Repayment of bank borrowings	(106,119)	(224,819)
New bank borrowings	96,382	216,875
Dividends paid	(23,314)	(23,558)
Interest paid	(601)	(1,840)
Net cash flows used in financing activities	(33,652)	(33,342)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17,272	(68,696)
Cash and cash equivalents at the beginning of period	95,898	156,491
Effect of foreign exchange rate changes	(1,975)	(705)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	111,195	87,090

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

1. Basis of Preparation

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

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

2. Changes in Significant Accounting Policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA for the first time for the current period’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

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

3. Operating Segmental Information

For the purposes of resources allocation and performance assessment, the Group’s executive directors review the operating results and financial information on a brand by brand basis. They focus on the operating results of each brand. Each brand constitutes an operating segment of the Group. As each brand shares similar economic characteristics, has similar products, is produced under similar production processes and has a similar target group of customers, the Group’s operating segments are aggregated into a single reportable segment and accordingly no separate segment information is prepared.

Segment profit before tax of US\$28,207,000 (six months ended 30 June 2015: US\$23,390,000) represents the profit before tax earned by the single reportable segment excluding administrative expenses, other income, gains, losses and expenses and finance costs.

4. Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.



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

For the six months ended 30 June 2016



5. Profit Before Tax

	Six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
The Group's profit before tax is arrived at after charging/(crediting):		
Write-down of inventories to net realisable value	2,176	493
Depreciation of investment properties	114	114
Depreciation of items of property, plant and equipment	5,905	5,903
Impairment loss on trade receivables	49	1,149
Net loss/(gain) on derivative financial instruments	3,196	(2,979)
Net gain on held-for-trading investments	(3,519)	(3,488)
Loss on disposal of items of property, plant and equipment	134	1,158
Amortisation of land lease payments	149	157
Bank interest income	(714)	(4,638)

6. Income Tax Expense

	Six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Tax charge comprises:		
Current tax		
The U.S. Income tax		
Current period	2,776	1,340
Elsewhere	499	1,226
Deferred tax	(515)	578
Total tax charge for the period	2,760	3,144

The U.S. income tax charge comprises federal income tax calculated at 34% (six months ended 30 June 2015: 34%) and state income tax calculated at various rates on the estimated assessable profits of the Company's subsidiaries in the U.S..

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2016 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2015: Nil).

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

For the six months ended 30 June 2016

7. Dividends

During the six months ended 30 June 2016, a final dividend of RMB0.05 per share, amounting to approximately RMB152,180,000 in aggregate (equivalent to approximately US\$23,314,000 in aggregate), for the year ended 31 December 2015 was paid to the shareholders of the Company.

During the six months ended 30 June 2015, a final dividend of HK\$0.06 per share, amounting to approximately HK\$182,617,000 in aggregate (equivalent to approximately US\$23,558,000 in aggregate), for the year ended 31 December 2014 was paid to the shareholders of the Company.

The Board has resolved that an interim dividend of RMB0.03 (six months ended 30 June 2015: RMB0.05) per share amounting to approximately RMB91,308,000 in aggregate, equivalent to approximately US\$13,742,000 in aggregate, for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately RMB152,180,000 in aggregate, equivalent to approximately US\$24,485,000 in aggregate) shall be paid to the shareholders of the Company whose names appear on the register of members on 13 September 2016.

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

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

	Six months ended 30 June	
	2016 <i>US\$'000</i> (Unaudited)	2015 <i>US\$'000</i> (Unaudited)
Profit for the period and earnings for the purpose of basic and diluted earnings per share	4,961	7,304
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,043,609,773	3,043,609,773
Effect of dilutive potential ordinary shares:		
Share options	-	1,282,285
Weighted average number of shares for the purpose of diluted earnings per share	3,043,609,773	3,044,892,058

9. Movements in Property, Plant and Equipment

During the period, the Group acquired items of property, plant and equipment of US\$5,515,000 (six months ended 30 June 2015: US\$6,157,000), which included an amount of US\$1,078,000 from acquisition of an subsidiary. In addition, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of US\$152,000 (six months ended 30 June 2015: US\$1,174,000) for cash proceeds of US\$18,000 (six months ended 30 June 2015: US\$16,000), resulting in a loss on disposal of US\$134,000 (six months ended 30 June 2015: US\$1,158,000).



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

For the six months ended 30 June 2016



10. Trade and Other Receivables

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

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

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Trade receivables:		
Within 1 month	47,117	39,530
1 to 2 months	20,907	21,010
Over 2 months	15,291	15,880
	83,315	76,420
Other receivables and prepayments	17,455	22,457
	100,770	98,877

11. Held-for-trading Investments

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Debt securities, at fair value:		
Listed in the U.S. with an average yield rate of 4.32% to 5.40% and maturity from January 2016 to September 2021	12,422	15,969
Listed in Hong Kong with an average yield rate of 3.22% to 3.76% and maturity from January 2016 to November 2024	21,230	31,862
Listed in Singapore with an average yield rate of 3.95% to 4.23% and maturity from January 2016 to May 2025	17,081	25,390
Listed in United Kingdom with an average yield rate of 3.73% to 3.78% and maturity from January 2017 to January 2022	2,196	4,628
Listed in other jurisdictions with an average yield rate of 3.76% to 3.96% and maturity from February 2016 to June 2025	11,823	10,742
Others	28,879	24,570
	93,631	113,161

The above investments as at 30 June 2016 and 31 December 2015 were classified as held-for-trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

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

For the six months ended 30 June 2016

12. Bank Deposits/Cash and Cash Equivalents

At 30 June 2016, cash and cash equivalents are cash and bank balances with an original maturity of 3 months or less of US\$111,195,000 (31 December 2015: US\$95,898,000).

Included in long term bank deposit is deposit placed in bank of US\$1,500,000 (31 December 2015: nil) with an original maturity of more than 12 months.

No short term bank deposits are placed in banks with an original maturity of more than 3 months (31 December 2015: US\$30,946,000).

13. Trade and Other Payables

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

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Trade payables:		
Within 1 month	13,775	10,764
1 to 2 months	5,128	5,136
Over 2 months	2,305	4,000
	21,208	19,900
Other payables and accruals	34,159	32,741
	55,367	52,641



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

For the six months ended 30 June 2016



14. Interest-bearing Bank Borrowings

	30 June 2016			31 December 2015		
	Effective interest rate (%)	Maturity	US\$'000	Effective interest rate (%)	Maturity	US\$'000
Current						
Bank loans – unsecured	0.94 – 1.22	2016	96,381	0.88 – 1.22	2016	106,121
Bank loans – secured	1.67	2016	233	1.81	2016	223
			<u>96,614</u>			<u>106,344</u>
Non-current						
Bank loans – secured	1.67	2034	4,590	1.81	2034	4,597
			<u>101,204</u>			<u>110,941</u>

During the period, the Group obtained new bank borrowings amounting to US\$96,382,000 (six months ended 30 June 2015: US\$216,875,000).

15. Share Capital

	Number of shares	Nominal value US\$'000
Ordinary shares of US\$0.05 each		
Authorised:		
At 31 December 2015 and 30 June 2016	<u>6,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 31 December 2015 and 30 June 2016	<u>3,043,609,773</u>	<u>152,180</u>

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

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

For the six months ended 30 June 2016

16. Business Combination

On 2 May 2016, Lacquer Craft Hospitality, Inc., a wholly-owned subsidiary of the Company acquired 100% interest in Grand Manor Furniture, Inc. ("Grand Manor"), at a consideration of US\$4,038,000. Grand Manor is principally engaged in the manufacturing sale of furniture. The acquisition was made as part of the Group's strategy to expand its product offering into upholstery to further complement its existing product category into a total solution provider by acquiring Grand Manor. The purchase consideration was fully settled by cash of US\$4,038,000 on 6 June 2016.

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

	<i>Note</i>	Fair value recognised on acquisition <i>US\$'000</i>
Property, plant and equipment	9	1,078
Inventories		1,110
Cash and bank balances		587
Trade receivables		745
Other receivables and prepayments		72
Trade payables		(330)
Other payables and accruals		(1,454)
Total identifiable net assets at fair value		<u>1,808</u>
Goodwill on acquisition		<u>2,230</u>
Satisfied by cash		<u>4,038</u>

The fair values and gross contractual amounts of the trade receivables and other receivables as at the date of acquisition amounted to US\$745,000 and US\$72,000, respectively.

The Group incurred transaction costs of US\$30,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the condensed consolidated statement of profit or loss.



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

For the six months ended 30 June 2016



16. Business Combination (continued)

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

	<i>US\$'000</i>
Cash consideration	(4,038)
Cash and bank balances acquired	<u>587</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>(3,451)</u>

Since the acquisition, Grand Manor contributed US\$2,228,000 to the Group's revenue and US\$252,000 to the consolidated profit for the six months ended 30 June 2016.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period would have been US\$220,545,000 and US\$5,524,000, respectively.

17. Commitments

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Capital expenditure in respect of acquisition of items of property, plant and equipment contracted, but not provided for in the condensed consolidated financial statements	<u>6,909</u>	<u>7,120</u>

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

For the six months ended 30 June 2016

18. Financial Instruments by Category

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

As at 30 June 2016

Financial assets

	Financial assets at fair value through profit or loss			Total US\$'000
	Designated as such upon initial recognition US\$'000	Held for trading US\$'000	Loans and receivables US\$'000	
Cash surrender value of life insurance	618	-	-	618
Trade receivables	-	-	83,315	83,315
Financial assets included in prepayments, deposits and other receivables	-	-	17,455	17,455
Held-for-trading investments	-	93,631	-	93,631
Derivative financial instruments	-	274	-	274
Pledged bank deposits	-	-	7,702	7,702
Long term bank deposit	-	-	1,500	1,500
Cash and cash equivalents	-	-	111,195	111,195
	618	93,905	221,167	315,690

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading US\$'000	Financial liabilities at amortised cost US\$'000	Total US\$'000
	Trade payables	-	
Financial liabilities included in other payables and accruals	-	34,159	34,159
Derivative financial instruments	13,150	-	13,150
Interest-bearing bank borrowings	-	101,204	101,204
	13,150	156,571	169,721



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

For the six months ended 30 June 2016



18. Financial Instruments by Category (continued)

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

As at 31 December 2015

Financial assets

	Financial assets at fair value through profit or loss			Total US\$'000
	Designated as such upon initial recognition US\$'000	Held for trading US\$'000	Loans and receivables US\$'000	
Cash surrender value of life insurance	541	–	–	541
Trade receivables	–	–	76,420	76,420
Financial assets included in prepayments, deposits and other receivables	–	–	22,457	22,457
Held-for-trading investments	–	113,161	–	113,161
Derivative financial instruments	–	152	–	152
Pledged bank deposits	–	–	7,737	7,737
Short term bank deposits	–	–	30,946	30,946
Cash and cash equivalents	–	–	95,898	95,898
	541	113,313	233,458	347,312

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading US\$'000	Financial liabilities at amortised cost US\$'000	Total US\$'000
	Trade payables	–	
Financial liabilities included in other payables and accruals	–	32,741	32,741
Derivative financial instruments	22,221	–	22,221
Interest-bearing bank borrowings	–	110,941	110,941
	22,221	163,582	185,803

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

For the six months ended 30 June 2016

19. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade receivables, trade payables, financial assets included in other receivables and prepayments, 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 fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of held-for-trading investments are based on quoted market prices.

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

Fair Value Hierarchy

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

Assets measured at fair value:

	Fair value measurement using		Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	
As at 30 June 2016			
Held-for-trading investments	72,718	20,913	93,631
Derivative financial instruments	–	274	274
Cash surrender value of life insurance	–	618	618
	72,718	21,805	94,523



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

For the six months ended 30 June 2016



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

Fair Value Hierarchy (continued)

Assets measured at fair value: (continued)

	Fair value measurement using		Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	
As at 31 December 2015			
Held-for-trading investments	96,918	16,243	113,161
Derivative financial instruments	–	152	152
Cash surrender value of life insurance	–	541	541
	96,918	16,936	113,854

Liabilities measured at fair value:

	Fair value measurement using significant observable inputs (Level 2) US\$'000
As at 30 June 2016	
Derivative financial instruments	13,150
Deferred compensation	617
	13,767
As at 31 December 2015	
Derivative financial instruments	22,221
Deferred compensation	837
	23,058

During the six months ended 30 June 2016, 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 (31 December 2015: Nil).

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

For the six months ended 30 June 2016

20. Related Party Transactions

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

Name of related company	Nature of transaction	Six months ended 30 June	
		2016 US\$'000 (Unaudited)	2015 US\$'000 (Unaudited)
Samson Global Co., Ltd.	Rental paid	19	19

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

Compensation of key management personnel

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

	Six months ended 30 June	
	2016 US\$'000 (Unaudited)	2015 US\$'000 (Unaudited)
Short-term benefits	982	1,001

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.

21. Approval of the Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 24 August 2016.

