Samson Holding

Samson Holding Ltd.

順誠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 531.hk)

Interim Report 2018

* for identification purpose only

Lacquer Craft | UNIVERSAL Good, Affordable, Smart Design. | Legacy Classic Furniture | CRAFTMASTER FURNITURE Life·Home·Comfort | WILLIS & GAMBIER Furniture designed for life | MILLING ROAD

Baker | smartstuff furniture for kids. | PAULA DEEN Home | LC kids legacy classic | Inspirations by wendy bellissimo | McGUIRE | LACQUERCRAFT HOSPITALITY

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Corporate Profile

Since its establishment in 1995, Samson Group, including Samson Holding Ltd. (the "Company") and its subsidiaries (the "Group"), has now become a fully vertically-integrated furniture company and ranks as one of top 10 furniture wholesalers in the United States of America (the "U.S."). We currently 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, Baker, Milling Road, McGuire, LacquerCraft Hospitality, Universal Furniture China and Athome, and licensed with Paula Deen and Wendy Bellissimo in the U.S., "Willis & Gambier" in the United Kingdom.

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

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

Corporate Information

Executive Directors

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

Non-Executive Director

Mr. Sheng Hsiung PAN

Independent Non-Executive Directors

Mr. Ming-Jian KUO
Mr. Siu Ki LAU
Mr. Sui-Yu WU

Audit Committee

Mr. Siu Ki LAU *(Chairman)*
Mr. Sheng Hsiung PAN
Mr. Sui-Yu WU

Remuneration Committee

Mr. Ming-Jian KUO *(Chairman)*
Mr. Sheng Hsiung PAN
Mr. Sui-Yu WU

Nomination Committee

Mr. Shan Huei KUO *(Chairman)*
Mr. Ming-Jian KUO
Mr. Sui-Yu WU

Company Secretary

Ms. Pik Yuk CHENG

Authorized Representatives

Ms. Yi-Mei LIU
Ms. Pik Yuk CHENG

Registered Office

Grand Pavilion
Hibiscus Way
802 West Bay Road
P.O. Box 31119, KY1-1205
Cayman Islands

Stock Code

The Stock Exchange of Hong Kong Limited: 531

Websites

http://www.samsonholding.com
http://www.universalfurniture.com
http://www.legacyclassic.com
http://www.legacyclassickids.com
http://www.cmfurniture.com
http://www.lacquercrafthospitality.com
https://www.bakerfurniture.com
http://willisgambier.co.uk

Principal Places of Business

China:

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.

1105 22nd Street SE
Hickory, NC 28602
U.S.A.

United Kingdom:

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

Auditor

Ernst & Young

Principal Bankers

BNP Paribas
UBP Bank
Citibank Taiwan Limited
Wells Fargo Bank
BB&T Bank

Share Registrars and Transfer Offices

Principal:

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

Hong Kong Branch:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

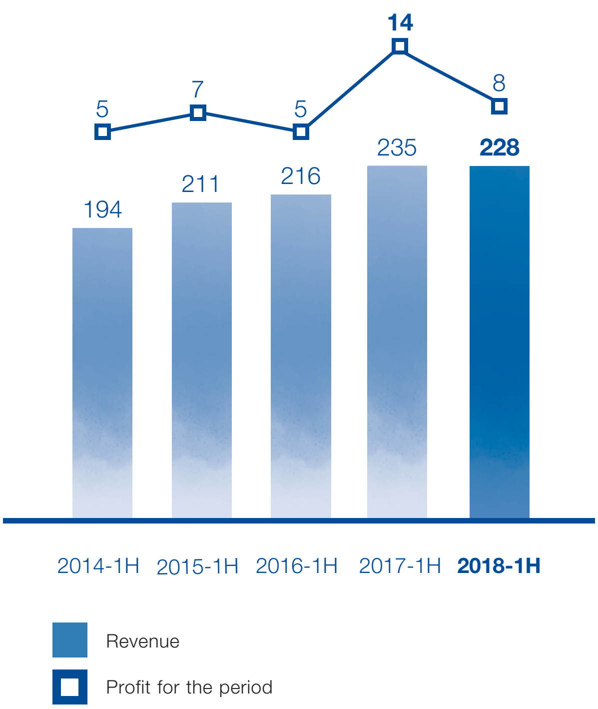
Financial Highlights

	Six months ended 30 June 2018 ***US$'000***	Six months ended 30 June 2017 *US$'000*	Six months ended 30 June 2018 ***HK$'000****	Six months ended 30 June 2017 *HK$'000**
Operating results				
Revenue	**227,895**	234,507	**1,777,581**	1,829,155
Earnings before interest and tax	**10,487**	22,196	**81,799**	173,129
Profit for the period	**7,713**	13,590	**60,161**	106,002
Earnings per share (US/HK cents)	**0.25**	0.45	**1.95**	3.51

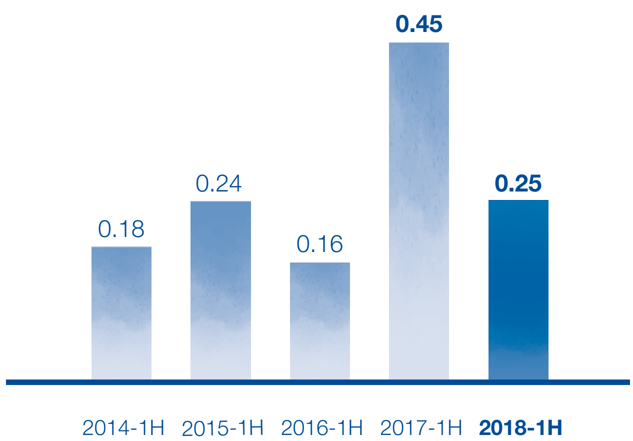
	As at 30 June 2018 ***US$'000***	As at 31 December 2017 *US$'000*	As at 30 June 2018 ***HK$'000****	As at 31 December 2017 *HK$'000**
Financial position				
Total assets	**565,031**	520,002	**4,407,242**	4,056,016
Net current assets	**214,213**	213,088	**1,670,861**	1,662,086
Shareholders' equity	**366,656**	375,693	**2,859,917**	2,930,405

* *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

Samson is now proud to be the holding company that possesses of perhaps the best wholesale furniture branding portfolio in the U.S. after the successful acquisition of Baker Interiors Group, LTD. (formerly known as Kohler Interiors Group, LTD.) and its subsidiaries (collectively referred as "BIG").

We are proud to build a fully integrated U.S. wholesale furniture branding, including Universal Furniture, Smartstuff by Universal, Paula Deen Home, Legacy Classic Furniture, Legacy Classic Kids, Wendy Bellissimo, Craftmaster Furniture, LacquerCraft Hospitality, Willis & Gambier (United Kingdom), Universal Furniture China and Athome, backed up by Lacquer Craft Furniture with its unparalleled China manufacturing operations. BIG brings in three global luxury furniture brands, namely, "Baker", "Milling Road" and "McGuire", and each with a long history of leading design, quality and craftsmanship, backed up by its advanced manufacturing plants, consisting of approximately 36 acres of beautiful land and the building in Hickory, North Carolina, United States.

The performance of the first six months in 2018 was a mixed bag of good and bad news. Due to severe weather conditions in the first four months in 2018 in the United States, and implementation upgrades in Enterprise Resource Planning ("ERP") system for our newly-acquired luxury furniture brands, lots of confirmed orders and shipments will be postponed to the second half of the year; hence resulted in higher inventory level as at 30 June 2018. While on the cost side, despite of higher labour rates, rising raw material cost and rigid environmental requirements in China, the Group have achieved gross margins of 32.4%, as a result of continued improving product mix. There is a great momentum of sales and margins contributions from the mid-to-high end furniture brand of the Group due to the launch of successful new product and expansion of market shares in non-traditional channels (including E-Commerce) and hospitality.

The benefit of disposal of manufacturing plant in Dongguan China in 2017 are reflected in the Group's lower administrative expenses for the six-month period ended 30 June 2018. In order to increase cost competitiveness for higher margins, the Group will seek aggressively to work with outsourcing partners in Asia to further reduce concentration exposures for manufacturing of case goods furniture in China. Our investment in Bangladesh has started to blossom and we are planning to expand capacity in Bangladesh for dining tables and chairs. Our upholstery manufactured in the United States continued to perform well. With new ERP implemented for BIG, we are working closely with the management of BIG to bring in positive contributions to the Group.

Financial Review

Net sales for the six-month period under review was US$227.9 million compared to US$234.5 million in the same period last year, a decrease of US$6.6 million or 2.8%. The decrease in net sales were attributable to the severe weather condition in the U.S. for the first four months in 2018 and implementation upgrades in ERP system for our newly-acquired luxury furniture brands.

Gross profit margin for the period decreased to 32.4% from 34.6% for the same period in 2017. The decrease in margin was mainly due to the impact of the higher labour rate, rising raw materials cost and rigid environmental requirements in China.

Total operating expenses for the period increased to US$69.3 million from US$65.7 million for the same period in 2017, mainly due to the newly-acquired Baker Interiors Group, LTD. since March 2017 which increased two more months operating expenses than the same period in 2017.

Profit for the period decreased to US$7.7 million from US$13.6 million for the same period in 2017. Net profit margin decreased to 3.4% from 5.8% for the same period in 2017. The decrease in profit was mainly in line with the decrease of sales.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2018, the Group's cash and cash equivalents increased by US$40.6 million to US$109.0 million from US$68.4 million as at 31 December 2017. Interest-bearing bank borrowings increased by US$47.4 million to US$91.0 million from US$43.6 million as at 31 December 2017. The gearing ratio (total bank borrowings/shareholders' equity) increased to 24.8% from 11.6% as at 31 December 2017. In view of the investments average coupon rate around 3.8%, which is higher than the effective interest rate for bank loans ranging from 2.50% to 2.88%, that the management believe the loan value will not be further increased according to capital expenditure and working capital requirement. 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 2018, short-term interest-bearing bank borrowings of US$91.0 million (31 December 2017: US$39.0 million) bore interest at floating rates and fixed rate ranging from 2.50% to 2.88% respectively and there was no long-term bank borrowing (31 December 2017: US$4.6 million).

Our sources of liquidity include cash and cash equivalents, 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 condensed consolidated statement of financial position at fair value. As at 30 June 2018, outstanding forward exchange contracts with notional value amounted to US$149.0 million (31 December 2017: US$242.6 million).

The Group's current assets increased by 17.2% to US$410.4 million from US$350.1 million as at 31 December 2017 and the Group's current liabilities increased by 43.2% to US$196.2 million from US$137.0 million as at 31 December 2017. The current ratio (current assets/current liabilities) is 2.1 times (31 December 2017: 2.6 times).

Pledge of Assets

As at 30 June 2018, certain of the Group's property, plant and equipments, investment properties, other intangibles, inventories, trade and other receivable and bank deposits with carrying value of US$160.7 million (31 December 2017: US$167.3 million) has 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 2018 amounted to US$8.3 million compared to US$39.7 million for the same period in 2017. Capital expenditure was mainly incurred for the purpose of upgrading and renovation of plant and machinery in the U.S.

Outlook

Total furniture and bedding spending in the U.S. was US$104 billion in 2017, which is still the largest single furniture market in the world. The economy in the U.S. continues to be strong and consumer confidence is high. However, the recent trade disputes between U.S. and China certainly have caused business disruptions across many industries and would lead many corporations to rethink and re-examine their existing business strategies and investment.

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 of the U.S.. Competition maybe fierce and economy is unpredictable. However, we believe our strong capital, our management, category expansion, diversified customer base, growing distribution channels and continuing operational efficiency will be the winning factors for the coming economic recovery cycle.

Employees and Emolument Policy

As at 30 June 2018, the Group employed approximately 6,900 (30 June 2017: 7,900) full-time employees in the PRC, the U.S., the U.K., Taiwan, Bangladesh and Indonesia.

For the six months ended 30 June 2018, the total remuneration of employees (including the remuneration of the Company's directors) was approximately US$64.1 million (30 June 2017: US$55.1 million).

The Company believes that the ability to grow as a successful business depends on the quality of our management and employees. The Company is committed to recruiting, training and retaining skilled and experienced employees throughout our operations globally to better serve our customers. The Company intends to 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.

Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$0.035 per share).

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2018, save as mentioned below.

Mr. Shan Huei 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.

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:

(1) Mr. Ming-Jian KUO, independent non-executive director of the Company, has resigned as the Senior Advisor of The Blackstone Group (HK) Limited with effect from 1 March 2018.

(2) TCL Multimedia Technology Holdings Limited, of which Mr. Siu Ki LAU (independent non-executive director of the Company) is an independent non-executive director, has changed its name to TCL Electronics Holdings Limited with effect from 23 May 2018.

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 2018.

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

Details of the share options granted and outstanding under the 2016 Share Option Scheme during the six months ended 30 June 2018 were as follows:

	Date of grant	Exercise price *HK$/share*	Vesting date	Exercise period	Number of share options				
					Outstanding as at 1.1.2018	**Granted during the period**	**Exercised during the period**	**Cancelled/ lapsed during the period**	**Outstanding as at 30.06.2018**
Other employees:									
In aggregate	11.11.2016	0.67	11.11.2016	11.11.2016 - 10.11.2021	27,350,000	–	(650,000)	–	26,700,000
Total					27,350,000	–	(650,000)	–	26,700,000
Exercisable at the end of the period					27,350,000				26,700,000
Weighted average exercise price (HK$ per share)*					0.67				0.67

* The exercise price of the share options is subject to adjustment in the case of changes in the Company's share capital.

No share options were cancelled or lapsed during the period (six months ended 30 June 2017: Nil).

During the six months ended 30 June 2018, no share options were granted (six months ended 30 June 2017: Nil), and no share option expense was incurred (six months ended 30 June 2017: Nil).

Directors' Interests in Shares and Underlying Shares

As at 30 June 2018, 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 *(Note)*	2,146,346,773	68.82%
Ms. Yi-Mei LIU	Held by controlled corporations *(Note)*	2,146,346,773	68.82%
Mr. Mohamad AMINOZZAKERI	Beneficial owner	10,000,000	0.32%

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

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

Other than as disclosed above, none of the directors or chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2018.

Substantial Shareholders' Interests in Shares

As at 30 June 2018, 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	68.82%
Advent Group Limited ("Advent")	Beneficial owner	2,146,346,773	68.82%

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 results and interim report for the six months ended 30 June 2018 have been reviewed by Ernst & Young, which report is included in this interim report and the Company's Audit Committee.

Report on Review of Condensed Consolidated Financial Statements

Ernst & Young
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1 Tim Mei Avenue
Central, Hong Kong

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香港中環添美道1號
中信大廈22樓

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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 32, which comprise the condensed consolidated statement of financial position of Samson Holding Ltd. (the "Company") and its subsidiaries (together the "Group") as at 30 June 2018 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
22 August 2018

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Notes	Six months ended 30 June **2018** ***US$'000*** **(Unaudited)**	 2017 *US$'000* (Unaudited)
REVENUE	*4*	**227,895**	234,507
Cost of sales		**(153,958)**	(153,375)
Gross profit		**73,937**	81,132
Other income, gains, losses and expenses		**5,820**	6,783
Distribution costs		**(9,933)**	(8,573)
Sales and marketing expenses		**(37,552)**	(31,108)
Administrative expenses		**(21,785)**	(26,038)
Finance costs		**(917)**	(1,085)
PROFIT BEFORE TAX	*5*	**9,570**	21,111
Income tax expense	*6*	**(1,857)**	(7,521)
PROFIT FOR THE PERIOD		**7,713**	13,590
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic (in US cents)		**0.247**	0.447
– Diluted (in US cents)		**0.247**	0.447

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**7,713**	13,590
OTHER COMPREHENSIVE (LOSS)/INCOME:		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(2,899)**	1,297
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**4,814**	14,887

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	**30 June 2018 US$'000 (Unaudited)**	31 December 2017 US$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**116,489**	128,961
Investment properties		**7,804**	7,918
Prepaid land lease payments – non-current portion		**3,079**	3,861
Goodwill		**13,705**	13,705
Other intangible assets		**5,911**	6,030
Deferred tax assets		**7,595**	9,431
Total non-current assets		**154,583**	169,906
CURRENT ASSETS			
Inventories		**142,360**	124,489
Trade and other receivables	*10*	**129,157**	106,738
Prepaid land lease payments – current portion		**93**	145
Held-for-trading investments	*11*	**21,170**	41,808
Derivative financial instruments		**–**	342
Tax recoverable		**2,891**	2,390
Pledged bank deposits		**5,821**	5,779
Cash and cash equivalents	*12*	**108,956**	68,405
Total current assets		**410,448**	350,096
CURRENT LIABILITIES			
Trade and other payables	*13*	**90,321**	86,236
Tax payable		**11,187**	11,027
Derivative financial instruments		**3,732**	716
Interest-bearing bank borrowings	*14*	**90,995**	39,029
Total current liabilities		**196,235**	137,008
NET CURRENT ASSETS		**214,213**	213,088
TOTAL ASSETS LESS CURRENT LIABILITIES		**368,796**	382,994
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*14*	**–**	4,566
Deferred tax liabilities		**2,140**	2,735
Total non-current liabilities		**2,140**	7,301
Net assets		**366,656**	375,693
EQUITY			
Issued capital	*15*	**155,946**	155,913
Reserves		**210,710**	219,780
Total equity		**366,656**	375,693

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Issued capital	Share premium	Capital redemption reserve	Share option reserve	Merger reserve	Statutory reserve	Exchange reserve	Retained profits	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2018 (audited)	155,913	105,863	1,012	262	1,581	–	5,459	105,603	375,693
Profit for the period	–	–	–	–	–	–	–	7,713	7,713
Other comprehensive loss for the period:									
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(2,899)	–	(2,899)
Total comprehensive income for the period	–	–	–	–	–	–	(2,899)	7,713	4,814
Dividend recognised as distribution	–	–	–	–	–	–	–	(13,907)	(13,907)
Issue of shares upon exercise of share options *(note 15)*	33	29	–	(6)	–	–	–	–	56
At 30 June 2018 (unaudited)	155,946	105,892	1,012	256	1,581	–	2,560	99,409	366,656
At 1 January 2017 (audited)	152,180	185,388	1,012	402	1,581	1,174	13,890	15,541	371,168
Profit for the period	–	–	–	–	–	–	–	13,590	13,590
Other comprehensive income for the period:									
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	1,297	–	1,297
Total comprehensive income for the period	–	–	–	–	–	–	1,297	13,590	14,887
Dividend recognised as distribution	–	(13,248)	–	–	–	–	–	–	(13,248)
At 30 June 2017 (unaudited)	152,180	172,140	1,012	402	1,581	1,174	15,187	29,131	372,807

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Net cash flows (used in)/from operating activities	**(3,148)**	57,526
Interest received	**288**	585
Purchases of items of property, plant and equipment	**(8,349)**	(4,696)
Proceeds from disposal of items of property, plant and equipment	**13,793**	26
Proceeds from disposal of a prepaid land lease	**6,332**	–
Increase in pledged bank deposits	**(42)**	(6,825)
Acquisition of subsidiaries	**–**	(35,000)
Net cash flows from/(used in) investing activities	**12,022**	(45,910)
Proceed from issue of shares	**56**	–
New bank loans	**90,995**	119,323
Repayment of bank loans	**(43,518)**	(143,569)
Dividends paid	**(13,907)**	(13,248)
Interest paid	**(917)**	(1,085)
Net cash flows from/(used in) financing activities	**32,709**	(38,579)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**41,583**	(26,963)
Cash and cash equivalents at the beginning of period	**68,405**	106,598
Effect of foreign exchange rate changes	**(1,032)**	(1,116)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**108,956**	78,519

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 (the "Stock Exchange") 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 2017.

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 2017, 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 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Several other amendments and interpretations apply for the first time in 2018, but do not have significant impact on the unaudited interim condensed consolidated financial statements of the Group.

The Group applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments* that require restatement of previous financial statements. The nature and effect of these changes are disclosed below:

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

2. Changes in Significant Accounting Policies (continued)

HKFRS 15 *Revenue from Contracts with Customers* (continued)

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings as of 1 January 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognised revenue when it transfers control over a product or service to a customer.

The Group satisfied a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

(b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

(c) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sales of that good at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Sales of goods

The Group's contracts with customers for the sale of furniture generally include one performance obligation. The Group has concluded that revenue from sale of furniture should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the furniture. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition. In addition, there are no contracts for sales of furniture provide customers with a right of return and volume rebates, the amount of revenue to be recognised was not affected.

Warranty obligations

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under HKFRS 15, which the Group accounts for under HKAS 37 *Provisions*, *Contingent Liabilities* and *Contingent Assets*, consistent with its practice prior to the adoption of HKFRS 15.

2. Changes in Significant Accounting Policies (continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has not restated comparative information for 2017 for financial instruments in the scope of HKFRS 9. Therefore, the comparative information for 2017 is reported under HKAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained earnings as of 1 January 2018.

The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

Except for certain trade receivables and other receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

2. Changes in Significant Accounting Policies (continued)

HKFRS 9 *Financial Instruments* (continued)

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

For trade receivables, the Group has applied the standard's simplified approached and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The adoption of the ECL requirements of HKFRS 9 did not have a significant impact in impairment allowances of the Group's debt financial assets.

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$26,452,000 (six months ended 30 June 2017: US$41,451,000) 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.

5. Profit Before Tax

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
The Group's profit before tax is arrived at after charging/(crediting):		
Provision for inventories	**6,932**	44
Reversal of inventories provision	**(3,150)**	(510)
Depreciation of investment properties	**114**	114
Depreciation of items of property, plant and equipment	**6,038**	6,779
Impairment loss on trade receivables	**279**	382
Net loss on derivative financial instruments	**2,003**	1,438
Net loss/(gain) on held-for-trading investments	**297**	(2,036)
Loss on disposal of items of property, plant and equipment	**395**	151
Gain on disposal of a prepaid land lease	**(5,632)**	–
Amortisation of prepaid land lease payments	**73**	142
Bank interest income	**(288)**	(585)
Gain on bargain purchase	**–**	(2,980)

6. Income Tax Expense

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Tax charge comprises:		
Current tax		
The United States ("U.S.") Income tax		
Current period	**325**	1,152
Elsewhere	**291**	1,823
Deferred tax	**1,241**	4,546
Total tax charge for the period	**1,857**	7,521

The U.S. income tax charge comprises federal income tax calculated at 21% (six months ended 30 June 2017: 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 2018 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2017: Nil).

7. Dividends

During the six months ended 30 June 2018, a final dividend of HK$0.035 per share, amounting to approximately HK$109,162,000 (approximately US$13,907,000) in aggregate, for the year ended 31 December 2017 was paid to the shareholders of the Company.

During the six months ended 30 June 2017, a final dividend of RMB0.03 per share, amounting to approximately RMB91,308,000 (approximately US$13,249,000) in aggregate, for the year ended 31 December 2016 was paid to the shareholders of the Company.

During the six months ended 30 June 2018, the Board resolved not to declare any interim dividend (six months ended 30 June 2017: HK$0.035 per share, amounting to approximately HK$106,526,000 (approximately US$13,635,000) in aggregate).

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:

	Six months ended 30 June	
	2018 ***US$'000*** **(Unaudited)**	2017 *US$'000* (Unaudited)
Profit for the period and earnings for the purpose of basic and diluted earnings per share	**7,713**	13,590

	Six months ended 30 June	
	2018 **Number of shares**	2017 Number of shares
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation *(Note)*	**3,118,443,940**	3,043,609,773
Effect of dilutive potential ordinary shares:		
Share options	**6,296,035**	–
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**3,124,739,975**	3,043,609,773

Note:

No adjustment has been made to the basic earnings per share for the six months ended 30 June 2017 as the Group had no potential dilutive ordinary shares in issue during the period.

9. Movements in Property, Plant and Equipment

During the period, the Group acquired items of property, plant and equipment of US$8,349,000 (six months ended 30 June 2017: US$32,000,000). In addition, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of US$14,188,000 (six months ended 30 June 2017: US$177,000) for cash proceeds of US$13,793,000 (six months ended 30 June 2017: US$26,000), resulting in a loss on disposal of US$395,000 (six months ended 30 June 2017: US$151,000).

10. Trade and Other Receivables

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

	30 June 2018 *US$'000* (Unaudited)	31 December 2017 *US$'000* (Audited)
Trade receivables:		
Within 1 month	**46,610**	48,863
1 to 2 months	**18,785**	14,594
Over 2 months	**22,477**	14,359
	87,872	77,816
Other receivables, deposits and prepayments	**41,285**	28,922
	129,157	106,738

11. Held-for-Trading Investments

	30 June 2018 *US$'000* (Unaudited)	31 December 2017 *US$'000* (Audited)
Debt securities, at fair value:		
Listed in the U.S. with average yield rates of 3.51% to 4.81% and maturity from January 2018 to December 2021	**11,407**	7,289
Listed in Hong Kong with average yield rates of 1.05% to 3.71% and maturity from May 2018 to January 2027	**5,552**	15,724
Listed in Singapore with average yield rates of 3.00% to 4.38% and maturity from on demand to November 2027	**3,024**	11,665
Listed in the United Kingdom with average yield rates of 4.24% to 5.70% and maturity from January 2017 to January 2022	**–**	647
Listed in other jurisdictions with average yield rates of 4.44% to 4.61% and maturity from March 2021 to November 2041	**1,187**	6,483
	21,170	41,808

The above investments as at 30 June 2018 and 31 December 2017 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.

12. Cash and Cash Equivalents

At 30 June 2018, cash and cash equivalents were cash and bank balances with an original maturity of 3 months or less of US$108,956,000 (31 December 2017: US$68,405,000).

13. Trade and Other Payables

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

	30 June 2018 ***US$'000*** **(Unaudited)**	31 December 2017 *US$'000* (Audited)
Trade payables:		
Within 1 month	**14,098**	16,910
1 to 2 months	**5,795**	5,542
Over 2 months	**6,616**	3,456
	26,509	25,908
Other payables and accruals	**63,812**	60,328
	90,321	86,236

14. Interest-Bearing Bank Borrowings

	30 June 2018			31 December 2017		
	Effective interest rate *(%)*	**Maturity**	***US$'000***	Effective interest rate *(%)*	Maturity	*US$'000*
Current						
Bank loans – unsecured	**2.50 – 2.88**	**2018**	**90,995**	1.73 – 2.10	2018	33,540
Bank loans – secured			**–**	1.60 – 2.39	2018	5,489
			90,995			39,029
Non-current						
Bank loans – secured			**–**	1.60	2034	4,566
			90,995			43,595

15. Share Capital

	Number of shares	Nominal value *US$'000*
Ordinary shares of US$0.05 each		
Authorised:		
At 31 December 2017 and 30 June 2018	6,000,000,000	300,000

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

	Number of shares in issue	Issued share capital *US$'000*	Share premium *US$'000*	Total *US$'000*
Issued and fully paid				
At 31 December 2017 and 1 January 2018	3,118,259,773	155,913	105,863	261,776
Share options exercised *(Note)*	650,000	33	29	62
At 30 June 2018	3,118,909,773	155,946	105,892	261,838

Note:

During the period, the subscription rights attaching to 650,000 share options were exercised at the subscription price of HK$0.67 (equivalent to US$0.09) per share (note 16), resulting in the issue of 650,000 shares for a total cash consideration, before expenses, of US$62,000. An amount of US$6,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

16. Share Option Scheme

The Company operates share option scheme (the "Share Option Scheme") to attract skilled and experienced personnel, to incentivise them to remain with the Group to give effect to the Group's customer-focused corporate culture, and to motivate them to strive for the future development and expansion of the Group, by providing them with the opportunity to acquire equity interests in the Company. Eligible participants of the Share Option Scheme include any employee, any management member or director of the Group and third party service providers.

On 18 May 2016, a new share option scheme (the "2016 Share Option Scheme") was approved by a resolution of the shareholders and adopted by a resolution of the board of directors of the Company.

The maximum number of shares to be issued in respect of which options may be granted under the 2016 Share Option Scheme, upon their exercise, shall not exceed 10% of the issued share capital of the Company on 18 May 2016, i.e. 304,360,977 shares. As at 30 June 2018, the Company had 26,700,000 share options outstanding under the 2016 Share Option Scheme, representing approximately 0.9% of the issued share capital of the Company as at the date this report.

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

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

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

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

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

16. Share Option Scheme (continued)

Details of the share options granted and outstanding under the 2016 Share Option Scheme during the six months ended 30 June 2018 were as follows:

	Date of grant	Exercise price HK$/share	Vesting date	Exercise period	Number of share options: Outstanding as at 1.1.2017	Granted during the year	Exercised during the year	Outstanding as at 31.12.2017	Exercised during the period	Outstanding as at 30.06.2018
Director:										
Mr. Mohamad AMINOZZAKERI	6.7.2017	0.66	6.7.2017	6.7.2017 – 5.7.2022	–	10,000,000	(10,000,000)	–	–	–
					–	10,000,000	(10,000,000)	–	–	–
Other employees:										
In aggregate	11.11.2016	0.67	11.11.2016	11.11.2016 – 10.11.2021	42,000,000	–	(14,650,000)	27,350,000	(650,000)	26,700,000
	6.7.2017	0.66	6.7.2017	6.7.2017 – 5.7.2022	–	50,000,000	(50,000,000)	–	–	–
					42,000,000	50,000,000	(64,650,000)	27,350,000	(650,000)	26,700,000
Total					42,000,000	60,000,000	(74,650,000)	27,350,000	(650,000)	26,700,000
Exercisable at the end of the year/period					42,000,000			27,350,000		26,700,000
Weighted average exercise price (HK$ per share)*					0.67			0.67		0.67

* The exercise price of the share options is subject to adjustment in the case of changes in the Company's share capital.

No share options were cancelled or lapsed during the period (six months ended 30 June 2017: Nil).

During the six months ended 30 June 2018, no share were options granted (six months ended 30 June 2017: Nil), and no share option expense was incurred (six months ended 30 June 2017: Nil).

The 650,000 share options exercised during the period resulted in the issue of 650,000 ordinary shares of the Company and new share capital of US$32,500 and share premium of US$29,000 (before issue expenses), as further detailed in note 15 to the financial statements.

At the date of approval of these financial statements, the Company had 26,700,000 share options outstanding under the 2016 Share Option Scheme, which represented approximately 0.9% of the Company's issued share capital as at that date. The exercise of the share options would, under the present capital structure of the Company, result in the issue of 26,700,000 additional ordinary shares of the Company and additional share capital of US$2,282,000 (before issue expenses).

17. Business Combination

On 28 February 2017, the Group acquired a 100% interest in Baker Interiors Group, LTD. (formerly known as "Kohler Interiors Group, LTD.") and its subsidiaries (collectively referred to as "BIG"), at a consideration of US$35,000,000. BIG is engaged in the manufacture and sale of a range of casual and luxury lifestyle furniture and home accessories. The acquisition was made as part of the Group's strategy to expand its business into the high-end furniture market. The purchase consideration was fully settled by cash of US$35,000,000 on 28 February 2017.

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

	Note	**Fair value recognised on acquisition** *US$'000*
Property, plant and equipment		27,304
Intangible assets (trademark)		4,600
Deferred tax assets		7,271
Inventories		11,862
Trade and other receivables		5,505
Trade payables		(2,256)
Other payables and accruals		(16,306)
Total identifiable net assets at fair value		37,980
Gain on bargain purchase recognised in other income, gains, losses and expenses in the condensed consolidated statement of profit or loss	*5*	(2,980)
Satisfied by cash		35,000

The fair values and gross contractual amounts of the trade and other receivables as at the date of acquisition amounted to US$5,505,000.

The Group incurred acquisition expenses of US$338,000 for this acquisition. These acquisition expenses have been expensed and are included in other expenses in the condensed consolidated statement of profit or loss for the period ended 30 June 2017.

17. Business Combination (continued)

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

	US$'000
Cash consideration	(35,000)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(35,000)

18. Commitments

	30 June 2018 *US$'000* (Unaudited)	31 December 2017 *US$'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	**5,636**	8,331

19. 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 2018

Financial assets

	Financial assets at fair value through profit or loss – Held for trading *US$'000*	**Loans and receivables *US$'000***	**Total *US$'000***
Trade receivables	**–**	**87,872**	**87,872**
Financial assets included in prepayments, deposits and other receivables	**–**	**30,209**	**30,209**
Held-for-trading investments	**21,170**	**–**	**21,170**
Pledged bank deposits	**–**	**5,821**	**5,821**
Cash and cash equivalents	**–**	**108,956**	**108,956**
	21,170	**232,858**	**254,028**

19. 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 30 June 2018 (continued)

Financial liabilities

	Financial liabilities at fair value through profit of loss – Held for trading *US$'000*	Financial liabilities at amortised cost *US$'000*	Total *US$'000*
Trade payables	–	26,509	26,509
Financial liabilities included in other payables and accruals	–	55,123	55,123
Derivative financial instruments	3,732	–	3,732
Interest-bearing bank borrowings	–	90,995	90,995
	3,732	172,627	176,359

As at 31 December 2017

Financial assets

	Financial assets at fair value through profit or loss – Held for trading *US$'000*	Loans and receivables *US$'000*	Total *US$'000*
Trade receivables	–	77,816	77,816
Financial assets included in prepayments, deposits and other receivables	–	18,739	18,739
Held-for-trading investments	41,808	–	41,808
Derivative financial instruments	342	–	342
Pledged bank deposits	–	5,779	5,779
Cash and cash equivalents	–	68,405	68,405
	42,150	170,739	212,889

19. 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 2017 (continued)

Financial liabilities

	Financial liabilities at fair value through profit of loss – Held for trading *US$'000*	Financial liabilities at amortised cost *US$'000*	Total *US$'000*
Trade payables	–	25,908	25,908
Financial liabilities included in other payables and accruals	–	54,730	54,730
Derivative financial instruments	716	–	716
Interest-bearing bank borrowings	–	43,595	43,595
	716	124,233	124,949

20. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, current portion of interest-bearing bank borrowings, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, 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 the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2018 was assessed to be insignificant.

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 and currency forward contracts, 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 and currency forward contracts are the same as their fair values.

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

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Total**
	US$'000	***US$'000***	***US$'000***
As at 30 June 2018			
Held-for-trading investments	**21,170**	**–**	**21,170**
	21,170	**–**	**21,170**
As at 31 December 2017			
Held-for-trading investments	41,808	–	41,808
Derivative financial instruments	–	342	342
	41,808	342	42,150

Liabilities measured at fair value:

	Fair value measurement using significant observable inputs (Level 2)
	US$'000
As at 30 June 2018	
Derivative financial instruments	**3,732**
As at 31 December 2017	
Derivative financial instruments	716

During the six months ended 30 June 2018, 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 2017: Nil).

21. 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	
		2018	2017
		US$'000	*US$'000*
		(Unaudited)	(Unaudited)
Samson Global Co., Ltd.	Rental paid	**20**	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	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**978**	989

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.

22. Approval of the Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 22 August 2018.