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)

2019
Interim Report

* for identification purpose only

Lacquer Craft | UNIVERSAL Good. Affordable. Smart Design. | Legacy Classic Furniture | CRAFTMASTER FURNITURE | Baker | MILLING ROAD

smartstuff furniture for kids | PAULA DEEN Home | LC kids legacy classic | Inspiration 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..

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 limited to Marriott, Hilton, Grand Hyatt and Western hotel chains. In February 2017, we have successfully acquired Baker Interiors Group, LTD. (formerly known as Kohler Interiors Group, LTD.) and its subsidiaries (collectively referred to as "BIG"), which owns three global luxury furniture brands, namely, "Baker", "Milling Road" and "McGuire", each with a history of leading design, quality and craftsmanship. BIG sells its products through showrooms in North America, England, and France, and furniture dealer locations across the 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. Yuet Fan CHEUNG

Authorized Representatives

Ms. Yi-Mei LIU
Ms. Yuet Fan CHEUNG

Registered Office

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

Stock Code

The Stock Exchange of Hong Kong Limited: 531

Websites

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

Principal Places of Business

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.

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

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 1712-16, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

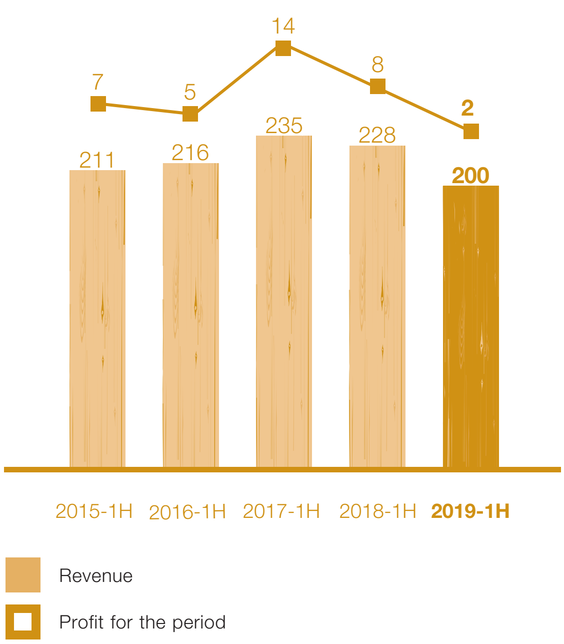
Financial Highlights

	Six months ended 30 June 2019 *US$'000*	Six months ended 30 June 2018 *US$'000*	**Six months ended 30 June 2019 *HK$'000****	Six months ended 30 June 2018 *HK$'000**
Operating results				
Revenue	**200,425**	227,895	**1,563,315**	1,777,581
Earnings before interest and tax	**6,580**	10,487	**51,324**	81,799
Profit for the period	**1,803**	7,713	**14,063**	60,161
Earnings per share *(US/HK cents)*	**0.06**	0.25	**0.47**	1.95

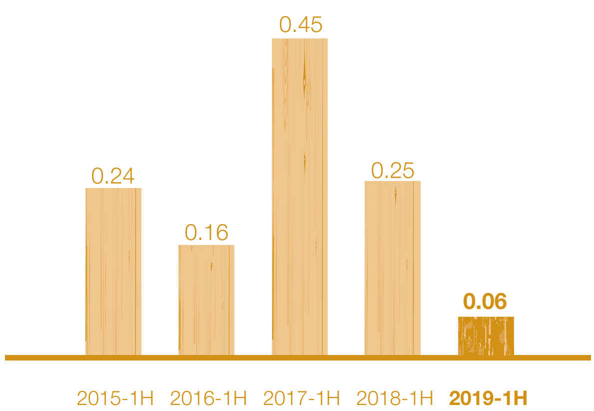
	As at 30 June 2019 *US$'000*	As at 31 December 2018 *US$'000*	**As at 30 June 2019 *HK$'000****	As at 31 December 2018 *HK$'000**
Financial position				
Total assets	**664,419**	665,870	**5,182,468**	5,193,786
Net current assets	**187,798**	193,918	**1,464,824**	1,512,560
Shareholders' equity	**371,193**	370,163	**2,895,305**	2,887,271

* *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 a holding company that possesses 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 to as "BIG").

We are proud to build a fully integrated U.S. wholesale furniture branding, including Universal Furniture, Smartstuff by Universal Furniture, Paula Deen, Legacy Classic Furniture, Legacy Classic Kids, Wendy Bellissimo, Craftmaster Furniture, LacquerCraft Hospitality, Universal Furniture China and Athome. 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 in North Carolina, United States.

2019 was a challenging year for the Group's business, mainly due to the continuing and intensified trade tension and tariffs war between China and the United States. On 24 September 2018, the US Customs imposed 10% of tariffs on imported furniture made in China, while China's Tariff Commission reacted with new customs tariffs imposed on US$60 billion worth of imports from the United States. In May 2019, the US Customs increased tariffs from 10% to 25%, covering US$200 billion worth of products, which have been subject to a 10% duty rate since 24 September 2018.

The tariffs and trade tension caused serious disruptions to many industries, and the Group's business is with no exception. The management has swiftly taken aggressive actions to reduce impacts by reducing the manufacturing exposures in China. The Group has migrated a majority of the furniture, which used to be manufactured in China, to be sourced by our manufacturing partners in Vietnam or to be manufactured by our own plants in Bangladesh. Our investment in Bangladesh has started to blossom and we are planning to expand the capacity in Bangladesh for dining tables and chairs. In order to speed up the transition, the Group has taken further actions to acquire a well-established Vietnam casegoods manufacturing company which has three production lines with a production capacity of 700 containers of furniture per month. This acquisition could bring additional revenue to the Group. In addition, with these production lines, the Group will be able to transfer its manufacturing base from China to Vietnam to reduce its costs in tariffs and taxes.

The Group's top line reduced by US$27.5 million or 12.1% for the six months ended 30 June 2019. Luckily, most of the top line losses was resulted from businesses such as mass-merchandise division and lower-end brands with little impacts on the core earnings. Fairly good earnings before interest, taxes, depreciation and amortization (common known as "EBITDA") of US$15.7 million was maintained in the interim period, as compared with that of US$16.7 million in the first six months of 2018. We expect the transition and migration will generate better outcome with learning curves over the next 6 to 12 months.

Although the results of the newly acquired luxury furniture brands, BIG, did not meet up expectations in 2018, BIG has started to turn around after the new management on board and Enterprise Resource Planning ("ERP") system started to function. Our higher-end brands and upholstery and hospitality division remains healthy due to good economy and robust lodging industry in the United States. Our upholstery manufactured in the United States continued to perform well.

While on the cost side and gross margins, with increased import tariffs in the United States, higher labour rates, rising raw materials cost and rigid environmental requirements in China, gross profit margin for the period of 32.5% is slightly higher than that of 32.4% for the same period in 2018, which was mainly due to contributions from high-end brands and upholstery business.

The furniture and home furnishings (F&HF) industry in the U.S. is experiencing new dynamics as the non-traditional channels, especially e-commerce, will continue to reshape the industry. With clear strategy to invest in ERP system and product design, the Group will continue to focus on expanding its business and profit margins by benefiting from the growth of non-traditional channels including e-commerce, designer channels, model home and hospitality, while reducing its reliance on lower-margins business.

Financial Review

Net sales for the six-month period under review was US$200.4 million compared to US$227.9 million in the same period last year, a decrease of US$27.5 million or 12.1%. The decrease in net sales was attributable to the loss from businesses such as mass-merchandise division and lower-end brands.

Gross profit margin for the period of 32.5% is slightly higher than that of 32.4% for the same period in 2018. The increased margin was mainly attributable to contributions from high-end brands and upholstery business.

Total operating expenses for the period decreased to US$66.6 million from US$69.3 million for the same period in 2018. The decrease in operating expenses was mainly attributable to our effective cost control measures.

Profit for the period decreased to US$1.8 million from US$7.7 million for the same period in 2018. Net profit margin decreased to 0.9% from 3.4% for the same period in 2018. The decrease in profit was mainly in line with the decrease of sales.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2019, the Group's cash and cash equivalents increased by US$14.5 million to US$60.7 million from US$46.2 million as at 31 December 2018. Interest-bearing bank borrowings decreased by US$4.1 million to US$198.9 million from US$203.0 million as at 31 December 2018. The gearing ratio (total bank borrowings/shareholders' equity) decreased to 53.6% from 54.8% as at 31 December 2018. The Group's cash position remains healthy 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 2019, interest-bearing bank borrowings of US$198.9 million (31 December 2018: US$203.0 million) bore interest at floating rates and fixed rate ranging from 2.85% to 3.05% respectively and there was no long term bank borrowing (31 December 2018: Nil).

Our sources of liquidity include cash and cash equivalents, short term bank deposit, 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 2019, there were no outstanding forward exchange contracts (31 December 2018: Nil).

The Group's current assets decreased by 4.6% to US$466.0 million from US$488.4 million as at 31 December 2018 and the Group's current liabilities decreased by 5.5% to US$278.2 million from US$294.5 million as at 31 December 2018. The current ratio (current assets/current liabilities) is 1.7 times (31 December 2018: 1.7 times).

Pledge of Assets

As at 30 June 2019, 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$128.2 million (31 December 2018: US$175.4 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 2019 amounted to US$5.2 million compared to US$8.3 million for the same period in 2018. Capital expenditure was mainly incurred for the purpose of upgrading and renovation of plant and machinery in the U.S.

Outlook

The U.S. economy remains solid and strong with GDP growth slightly less than 3%: 1.5% in 2016, 2.3% in 2017 and 2.9% in 2018. Overall, the U.S. economy is healthy. Consumer confidence is the highest since 2000, unemployment is the lowest in 17 years, and the U.S. has added jobs every month for more than 7 years. With most of its business concentrated in the United States, the Group is expecting to benefit from the strong economy.

The Group is now standing upon solid and diverse manufacturing bases, including China, Vietnam, Indonesia, Bangladesh and the United States to continue to support and expand its furniture brands in the United States. Despite there will be a trade deal to be signed by the China and U.S. governments in 2019, the Group will be largely immune from the outcomes.

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. We believe our strong capital, our management, category expansion, diversified customer base, growing distribution channels and continuing operational efficiency will be winning factors in the industry.

Employees and Emolument Policy

As at 30 June 2019, the Group employed approximately 4,600 (30 June 2018: 6,900) full-time employees in the PRC, the U.S., the U.K., Taiwan, Bangladesh and Indonesia.

For the six months ended 30 June 2019, the total remuneration of employees (including the remuneration of the Company's directors) was approximately US$52.7 million (30 June 2018: US$64.1 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 2019 (six months ended 30 June 2018: Nil).

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 2019, 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:

Mr. Ming-Jian KUO, independent non-executive director of the Company, has been appointed as the Chairman of Cathay United Bank (China) Ltd. with effect from 11 June 2018.

Mr. Siu Ki LAU, independent non-executive director of the Company, has been appointed as an independent non-executive director of IVD Medical Holding Limited, a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), with effect from 21 June 2019.

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 2019.

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 2019 were as follows:

					Number of share options		
	Date of grant	Exercise price *HK$/share*	Vesting date	Exercise period	Outstanding as at 1.1.2019	Exercised during the period	Outstanding as at 30.06.2019
Other employees:							
In aggregate	11.11.2016	0.67	11.11.2016	11.11.2016-10.11.2021	26,700,000	–	26,700,000
Total					26,700,000	–	26,700,000
Exercisable at the end of the period					26,700,000		26,700,000
Weighted average exercise price (HK$ 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 2018: Nil).

During the six months ended 30 June 2019, no share options were granted (six months ended 30 June 2018: Nil), and no share option expense was incurred (six months ended 30 June 2018: Nil).

Directors' Interests in Shares and Underlying Shares

As at 30 June 2019, 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 2019.

Substantial Shareholders' Interests in Shares

As at 30 June 2019, 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 2019 have been reviewed by Ernst & Young, of which the auditors' report is included in this interim report, and the Company's Audit Committee.

Report on Review of Condensed Consolidated Financial Statements

EY 安永

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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 34, 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 2019 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
21 August 2019

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		US$'000	*US$'000*
	Notes	**(Unaudited)**	(Unaudited)
REVENUE	*4*	**200,425**	227,895
Cost of sales		**(135,378)**	(153,958)
Gross profit		**65,047**	73,937
Other income, gains, losses and expenses		**8,159**	5,820
Distribution costs		**(8,012)**	(9,933)
Sales and marketing expenses		**(35,658)**	(37,552)
Administrative expenses		**(22,956)**	(21,785)
Finance costs		**(3,575)**	(917)
PROFIT BEFORE TAX	*5*	**(3,005)**	9,570
Income tax expense	*6*	**(1,202)**	(1,857)
PROFIT FOR THE PERIOD		**1,803**	7,713
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic (in US cents)		**0.058**	0.247
– Diluted (in US cents)		**0.058**	0.247

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,803**	7,713
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(773)**	(2,899)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,030**	4,814

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	30 June 2019 US$'000 (Unaudited)	31 December 2018 US$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**111,698**	123,308
Investment properties		**7,576**	7,690
Right-of-use assets		**20,262**	–
Prepaid land lease payments		**–**	2,872
Deposits for acquisition of prepaid land lease		**30,416**	15,664
Goodwill		**13,705**	13,705
Other intangible assets		**5,673**	5,792
Deferred tax assets		**9,099**	8,422
Total non-current assets		**198,429**	177,453
CURRENT ASSETS			
Inventories		**133,609**	140,422
Trade and other receivables	10	**95,586**	121,465
Prepaid land lease payments		**–**	128
Held-for-trading investments	11	**166,831**	165,870
Tax recoverable		**2,160**	2,138
Pledged bank deposits		**2,861**	7,962
Short term bank deposits		**4,200**	4,200
Cash and cash equivalents	12	**60,743**	46,232
Total current assets		**465,990**	488,417
CURRENT LIABILITIES			
Trade and other payables	13	**67,050**	80,607
Lease liabilities		**4,675**	–
Interest-bearing bank borrowings	14	**198,888**	202,953
Tax payable		**7,579**	10,939
Total current liabilities		**278,192**	294,499
NET CURRENT ASSETS		**187,798**	193,918
TOTAL ASSETS LESS CURRENT LIABILITIES		**386,227**	371,371
NON-CURRENT LIABILITIES			
Lease liabilities		**12,682**	–
Deferred tax liabilities		**2,352**	1,208
Total non-current liabilities		**15,034**	1,208
Net assets		**371,193**	370,163
EQUITY			
Issued capital	15	**155,946**	155,946
Reserves		**215,247**	214,217
Total equity		**371,193**	370,163

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Issued capital	Share premium	Capital redemption reserve	Share option reserve	Merger reserve	Exchange reserve	Retained profits	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2019 (audited)	155,946	105,892	1,012	256	1,581	(4,135)	109,611	370,163
Profit for the period	–	–	–	–	–	–	1,803	1,803
Other comprehensive loss for the period:								
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(773)	–	(773)
Total comprehensive income for the period	–	–	–	–	–	(773)	1,803	1,030
At 30 June 2019 (unaudited)	155,946	105,892	1,012	256	1,581	(4,908)	111,414	371,193
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	33	29	–	(6)	–	–	–	56
At 30 June 2018 (unaudited)	155,946	105,892	1,012	256	1,581	2,560	99,409	366,656

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Net cash flows from/(used in) operating activities	**24,209**	(3,148)
Interest received	**335**	288
Purchases of items of property, plant and equipment	**(5,225)**	(8,349)
Proceeds from disposal of items of property, plant and equipment	**11,170**	13,793
Proceeds from disposal of a prepaid land lease	**–**	6,332
Deposits paid for prepaid land lease	**(14,752)**	–
Decrease/(increase) in pledged bank deposits	**5,101**	(42)
Net cash flows (used in)/from investing activities	**(3,371)**	12,022
Proceed from issue of shares	**–**	56
New bank loans	**3,689,206**	90,995
Repayment of bank loans	**(3,693,271)**	(43,518)
Dividends paid	**–**	(13,907)
Principal portion of lease payment	**2,446**	–
Interest paid	**(3,575)**	(917)
Net cash flows (used in)/from financing activities	**(5,194)**	32,709
NET INCREASE IN CASH AND CASH EQUIVALENTS	**15,644**	41,583
Cash and cash equivalents at the beginning of period	**46,232**	68,405
Effect of foreign exchange rate changes	**(1,133)**	(1,032)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**60,743**	108,956

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 2018.

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 2018, 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated financial statements. The nature and impact of the new and revised HKFRSs are described below:

2. Changes in Significant Accounting Policies (continued)

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contracted conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2. Changes in Significant Accounting Policies (continued)

HKFRS 16 *Leases* (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes reclassifying the lease assets under operating leases of US$3,000,000 that were previously recognised in prepaid land lease payments.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *US$'000* (Unaudited)
Assets	
Increase in right-of-use assets	22,471
Decrease in prepaid land lease payments	(3,000)
Increase in total assets	19,471
Liabilities	
Increase in lease liabilities	19,471
Increase in total liabilities	19,471

2. Changes in Significant Accounting Policies (continued)

HKFRS 16 *Leases* (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	US$'000 (Unaudited)
Operating lease commitments as at 31 December 2018	43,688
Weighted average incremental borrowing rate as at 1 January 2019	3.22%
Discounted operating lease commitments as at 1 January 2019	38,543
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(19,072)
Lease liabilities as at 1 January 2019	19,471

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

2. Changes in Significant Accounting Policies (continued)

HKFRS 16 *Leases* (continued)

Lease liabilities

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

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

Amount recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets				
	Land	Office and warehouse	Equipment	Total	Lease liabilities
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 1 January 2019	3,000	15,525	3,946	22,471	19,471
Additions	–	34	55	89	89
Depreciation charge	(60)	(1,719)	(554)	(2,333)	–
Interest expense	–	–	–	–	238
Payments	–	–	–	–	(2,446)
Exchange realignment	30	1	4	35	5
As at 30 June 2019	2,970	13,841	3,451	20,262	17,357

The Group recognised rental expenses from short-term leases of US$3,210,000 for the six months ended 30 June 2019.

2. Changes in Significant Accounting Policies (continued)

HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatment*

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's 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$21,377,000 (six months ended 30 June 2018: US$26,452,000) 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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019 ***US$'000*** **(Unaudited)**	2018 *US$'000* (Unaudited)
Revenue from contract with customers		
Sales of furniture	**200,266**	227,740
Revenue from other sources		
Service fee income	**159**	155
	200,425	227,895

4. Revenue (continued)

Revenue from contract with customers

(i) Disaggregated revenue information

Segments- Furniture

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Sales of furniture	**200,266**	227,740
Total revenue from contracts with customers	**200,266**	227,740
Geographical markets		
U.S.	**183,085**	211,903
Europe	**5,390**	6,108
Middle East	**1,405**	1,360
Asia	**10,342**	8,275
Indonesia	**44**	94
Total revenue from contracts with customers	**200,266**	227,740
Timing of revenue recognition		
Goods transferred at a point in time	**200,266**	227,740
Total revenue from contracts with customers	**200,266**	227,740

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

4. Revenue (continued)

Revenue from contract with customers (continued)

(i) Disaggregated revenue information (continued)

Segments- Furniture

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
External customers	**200,266**	227,740
Total revenue from contracts with customers	**200,266**	227,740

5. Profit Before Tax

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
The Group's profit before tax is arrived at after charging/(crediting):		
Provision for inventories	**9,912**	6,932
Reversal of inventories provision	**(1,008)**	(3,150)
Depreciation of investment properties	**114**	114
Depreciation of items of property, plant and equipment	**6,680**	6,038
Impairment loss on trade receivables	**620**	279
Net loss on derivative financial instruments	**–**	2,003
Net (gain)/loss on held-for-trading investments	**(6,015)**	297
(Gain)/loss on disposal of items of property, plant and equipment	**(970)**	395
Gain on disposal of prepaid land lease	**–**	(5,632)
Depreciation of right-of-use assets	**2,333**	–
Amortisation of prepaid land lease payments	**–**	73
Bank interest income	**(335)**	(288)

6. Income Tax Expense

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Tax charge comprises:		
Current tax		
The United States ("U.S.") Income tax		
Current period	**47**	325
Elsewhere	**688**	291
Deferred tax	**467**	1,241
Total tax charge for the period	**1,202**	1,857

The U.S. income tax charge comprises federal income tax calculated at 21% (six months ended 30 June 2018: 21%) 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 2019 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2018: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, including Taiwan with tax rate of 20%.

7. Dividends

During the six months ended 30 June 2019, no final dividend was paid to the shareholders of the Company.

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 2019, the Board resolved not to declare any interim dividend (six months ended 30 June 2018: Nil).

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	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period and earnings for the purpose of basic and diluted earnings per share	**1,803**	7,713

	Six months ended 30 June	
	2019	2018
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation *(Note)*	**3,118,909,773**	3,118,443,940
Effect of dilutive potential ordinary shares:		
Share options	**–**	6,296,035
Weighted average number of ordinary shares in issue during the period used in diluted earnings per share calculation	**3,118,909,773**	3,124,739,975

Note:

Diluted earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue and adjusting the potential dilutive effect of the outstanding options.

The computation of diluted earnings per share does not assume the exercise of the Company's share options for the six months ended 30 June 2019 because the exercise price of those share options was higher than the average market price of the Company's shares during the period.

9. Movements in Property, Plant and Equipment

During the period, the Group acquired items of property, plant and equipment of US$5,225,000 (six months ended 30 June 2018: US$8,349,000). In addition, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of US$10,200,000 (six months ended 30 June 2018: US$14,188,000) for cash proceeds of US$11,170,000 (six months ended 30 June 2018: US$13,793,000), resulting in a gain on disposal of US$970,000 (six months ended 30 June 2018: loss of US$395,000).

10. Trade and Other Receivables

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

	30 June 2019 **US$'000** **(Unaudited)**	31 December 2018 *US$'000* (Audited)
Trade receivables:		
Within 1 month	**37,976**	39,526
1 to 2 months	**7,415**	25,073
Over 2 months	**13,738**	17,756
	59,129	82,355
Other receivables, deposits and prepayments	**36,457**	39,110
	95,586	121,465

11. Held-for-Trading Investments

	30 June 2019 **US$'000** **(Unaudited)**	31 December 2018 *US$'000* (Audited)
Debt securities, at fair value:		
Listed in the U.S. with average yield rate of 2.09% to 5.00% and maturity from December 2019 to November 2021	**5,332**	7,199
Listed in Hong Kong with average yield rate of 2.75% to 5.88% and maturity from July 2018 to April 2077	**5,073**	5,796
Listed in Singapore with average yield rate of 2.13% to 5.35% and maturity from March 2020 to August 2030	**4,067**	3,262
Listed in other jurisdictions with average yield rate of 3.60% to 6.02% and maturity from March 2021 to June 2026	**3,064**	2,908
Investment fund portfolio, at fair value *(Note)*	**149,295**	146,705
	166,831	165,870

The above investments as at 30 June 2019 and 31 December 2018 were classified as financial assets at fair value through profit or loss as they are held for trading.

Note: The above investment fund portfolio at 30 June 2019 and 31 December 2018 was a wealth management product issued by United Bancaire Privée in Luxembourg.

12. Cash and Cash Equivalents

At 30 June 2019, cash and cash equivalents were cash and bank balances with an original maturity of 3 months or less of US$60,743,000 (31 December 2018: US$46,232,000).

13. Trade and Other Payables

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

	30 June 2019	31 December 2018
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade payables:		
Within 1 month	**11,855**	10,836
1 to 2 months	**2,301**	4,433
Over 2 months	**7,767**	7,358
	21,923	22,627
Other payables and accruals	**45,127**	57,980
	67,050	80,607

14. Interest-Bearing Bank Borrowings

	30 June 2019			31 December 2018		
	Effective interest rate *(%)*	**Maturity**	***US$'000***	Effective interest rate *(%)*	Maturity	*US$'000*
			(Unaudited)			(Audited)
Current						
Bank loans – unsecured	**2.85 – 3.05**	**2019**	**198,888**	2.90 – 3.60	2019	202,953

15. Share Capital

	Number of shares	Nominal value
		US$'000
Ordinary shares of US$0.05 each		
Authorised:		
At 31 December 2018 and 30 June 2019	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	Share premium	Total
		US$'000	*US$'000*	*US$'000*
Issued and fully paid				
At 31 December 2018, 1 January 2019 and 30 June 2019	3,118,909,773	155,946	105,892	261,838

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 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 2019, 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.

16. Share Option Scheme (continued)

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.

Details of the share options granted and outstanding under the 2016 Share Option Scheme during the six months ended 30 June 2019 were as follows:

					Number of share options				
	Date of grant	Exercise price *HK$/share*	Vesting date	Exercise period	Outstanding as at 1.1.2018	Exercised during the year	Outstanding as at 31.12.2018	Exercised during the period	Outstanding as at 30.06.2019
Other employees:									
In aggregate	11.11.2016	0.67	11.11.2016	11.11.2016 – 10.11.2021	27,350,000	(650,000)	26,700,000	–	26,700,000
Total					27,350,000	(650,000)	26,700,000	–	26,700,000
Exercisable at the end of the year/period					27,350,000		26,700,000		26,700,000
Weighted average exercise price (HK$ 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 2018: Nil).

During the six months ended 30 June 2019, no share options were granted (six months ended 30 June 2018: Nil), and no share option expense was incurred (six months ended 30 June 2018: Nil).

No share options were exercised during the period (six months ended 30 June 2018: 650,000 share options).

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. Commitments

	30 June 2019 US$'000 (Unaudited)	31 December 2018 US$'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted, but not provided for, in the consolidated financial statements	15,180	29,221

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 2019

Financial assets

	Financial assets at fair value through profit or loss – Held for trading US$'000 (Unaudited)	Financial assets at amortised cost US$'000 (Unaudited)	Total US$'000 (Unaudited)
Trade receivables	–	59,129	59,129
Financial assets included in prepayments, deposits and other receivables	–	30,173	30,173
Held-for-trading investments	166,831	–	166,831
Pledged bank deposits	–	2,861	2,861
Short term bank deposits	–	4,200	4,200
Cash and cash equivalents	–	60,743	60,743
	166,831	157,106	323,937

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 30 June 2019 (continued)

Financial liabilities

	Financial liabilities at amortised cost *US$'000* (Unaudited)
Trade payables	21,923
Financial liabilities included in other payables and accruals	21,029
Interest-bearing bank borrowings	198,888
	241,840

As at 31 December 2018

Financial assets

	Financial assets at fair value through profit or loss Held for trading *US$'000* (Audited)	Financial assets at amortised cost *US$'000* (Audited)	Total *US$'000* (Audited)
Trade receivables	–	82,355	82,355
Financial assets included in prepayments, deposits and other receivables	–	31,341	31,341
Held-for-trading investments	165,870	–	165,870
Pledged bank deposits	–	7,962	7,962
Short term bank deposits	–	4,200	4,200
Cash and cash equivalents	–	46,232	46,232
	165,870	172,090	337,960

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 2018 (continued)

Financial liabilities

	Financial liabilities at amortised cost *US$'000* (Audited)
Trade payables	22,627
Financial liabilities included in other payables and accruals	33,056
Interest-bearing bank borrowings	202,953
	258,636

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, 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 2019 was assessed to be insignificant.

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

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

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.

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using		
	Quoted prices in active markets (Level 1) *US$'000*	Significant observable inputs (Level 2) *US$'000*	Total *US$'000*
As at 30 June 2019			
Held-for-trading investments	**17,536**	**149,295**	**166,831**
As at 31 December 2018			
Held-for-trading investments	19,165	146,705	165,870

During the six months ended 30 June 2019, 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 2018: Nil).

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	
		2019 ***US$'000*** **(Unaudited)**	2018 *US$'000* (Unaudited)
Samson Global Co., Ltd.	Rental paid	**19**	20

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.

20. Related Party Transactions (continued)

Compensation of key management personnel

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

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Short term benefits	**953**	978

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. Events After the Reporting Period

(i) On 16 July 2019, a wholly-owned subsidiary of the Company, Sheen Success Corporation Limited (the "Purchaser"), Mr. Hsu Wei-Fu (the "Vendor") and Timber Industries Co., Ltd. (Cayman) (the "Cayman Company") entered into a share transfer agreement pursuant to which the Purchaser has agreed to acquire and the Vendor and Cayman Company have agreed to sell an aggregate of 70% of the share capital of Jolly State International Limited and its subsidiary, Timber Industries Co., Ltd. (Vietnam) (collectively, the "Target Group"), for the cash consideration of US$32,550,000.

As of the date of these condensed consolidated financial statements, the acquisition of the Target Group has not been completed and the management expects the acquisition will be completed by 31 December 2019. More details of the proposed acquisition can be found in announcements of the Company dated 16 July 2019 and 1 August 2019, respectively.

(ii) The Group had completed an acquisition of an associate on 1 July 2019 at a cash consideration of US$1,000,000, which is also engaged in manufacturing of furniture in Vietnam.

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 21 August 2019.