



Samson Holding Ltd.
順誠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 531.hk)



2020 INTERIM REPORT

* for identification purpose only



UNIVERSAL
Good. Affordable. Smart Design.

Legacy
CLASSIC FURNITURE

CRAFTMASTER
FURNITURE

Baker

MILLING ROAD

smartstuff
furniture for kids.

PAULA DEEN
Home

kids
LEGACY CLASSIC

Inspirations
by wendy bellasusina

M c G U I R E

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. market expertise, combining with the Vietnam and 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.



2 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

Mr. Kwong Cho SHEUNG

Authorized Representatives

Ms. Yi-Mei LIU
Mr. Kwong Cho SHEUNG

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

Vietnam:

6th Road Tam Phuoc Industrial Zone,
Bien Hoa City, Dong Nai Province Vietnam

China:

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

Unit 1007, 10th Floor, Haleson Building
1 Jubilee Street, Central,
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

CTBC Bank
UBP Bank
DBS Bank
Fubon Bank
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 3

	Six months ended 30 June 2020 US\$'000	Six months ended 30 June 2019 US\$'000	Six months ended 30 June 2020 HK\$'000*	Six months ended 30 June 2019 HK\$'000*
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Operating results

Revenue	172,143	200,425	1,342,715	1,563,315
(Loss)/earnings before interest and tax	(16,253)	6,580	(126,773)	51,324
(Loss)/profit for the period	(16,592)	1,803	(129,418)	14,063
(Loss)/earnings per share (US/HK cent)	(0.48)	0.06	(3.74)	0.47

	As at 30 June 2020 US\$'000	As at 31 December 2019 US\$'000	As at 30 June 2020 HK\$'000*	As at 31 December 2019 HK\$'000*
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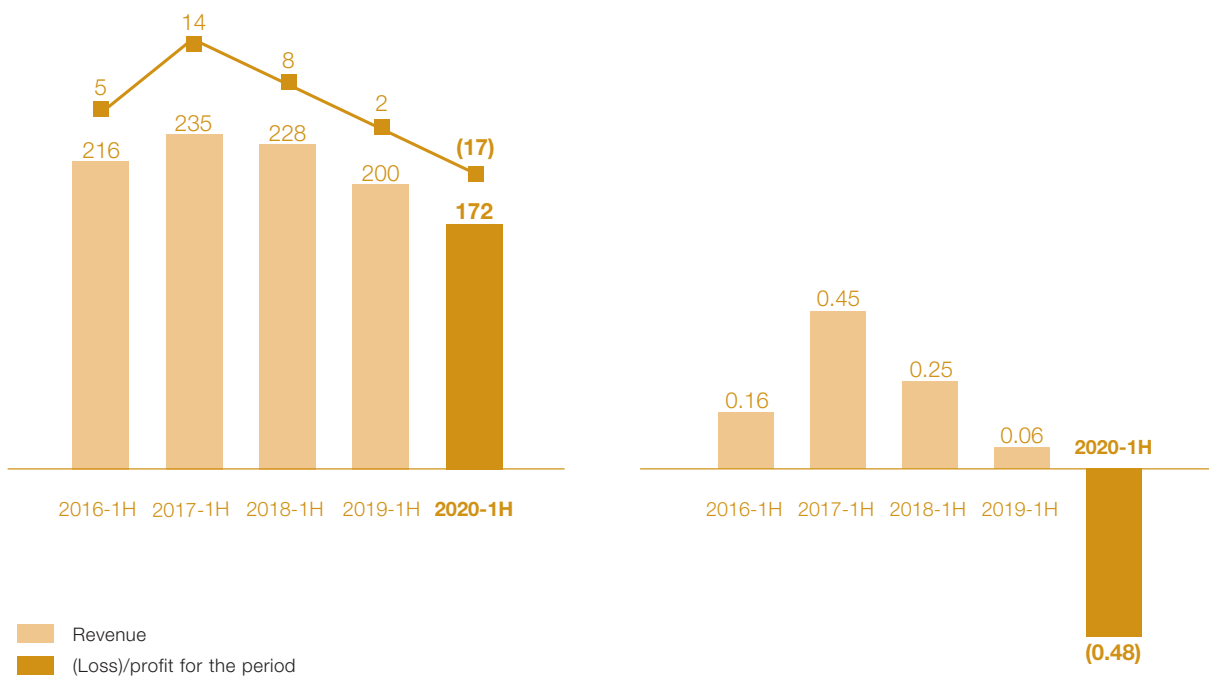
Financial position

Total assets	601,745	638,765	4,693,611	4,982,367
Net current assets	148,193	167,456	1,155,905	1,306,157
Shareholders' equity	301,357	318,556	2,350,585	2,484,737

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

Revenue & (loss)/profit for the period
(US\$ MN)

(Loss)/earnings per share
(US cent)





4 Management Discussion and Analysis

Business Review

Samson has entered into the high-end luxury home furnishing market since 2017 after the acquisition of Baker Interiors Group, LTD. (formerly known as Kohler Interiors Group, LTD.). The subsequent purchase of Southern Furniture in 2019 further strengthened Samson's already impressive portfolio, providing support for the expansion of customized upholstery business through the Universal Furniture brand. These strategic moves have enabled the steady growth of Samson's mid to high-end brands in the United States.

In 2020, due to the rapid spread of COVID-19, the furniture and home furnishings (F&HF) industry in the U.S. has been experiencing unprecedented disruptions and uncertainties. The Group's traditional channel sales for the period March to April 2020 were impacted by the postponement of many confirmed orders and shipments. However, the Group has since observed demand recovery starting in May 2020, and the shipment quantity in July 2020 has rebounded to the pre-pandemic level. On the demand side, the Federal Reserve ("FED") lowered the interest rate to zero in March 2020 to support household and business cashflow, resulting in lower mortgage rates and instilled confidence in future homeowners. A more stabilized housing market has led to an upward trend of strong orders for the F&HF industry. In order to mitigate the risk of supply disruption, the Group has expanded workforce recruitment and expects to add two production lines in the U.S. to meet the increasing demand.

The COVID-19 pandemic has also accelerated the growth of non-traditional channels including e-commerce, designer channels, model home and hospitality. The Group is dedicated to roll-out virtual tours and e-selling events as the designer channel continues to perform well, resulting in higher direct selling margin. The current order pipeline indicates that customers are receptive to the new sales model. Looking ahead to the October 2020 peak season, High Point Market is planned to go virtual, with an approximate saving of over 50% on fixed cost. Online and virtual sales is able to reach a broader customer base and Samson is dedicated to further develop its e-commerce capabilities.

Although there are repeated setbacks due to the continuing political tension and trade war between China and the U.S., Samson's swift measures to alleviate the tariff impact have started to paid off by sourcing its U.S.-bound furniture from partners in Vietnam and its Vietnam and Bangladesh facilities. The Vietnamese facility was acquired from Timber Furniture, a well-known casegoods manufacturing company. Samson acquired a 70% stake in July 2019 and upon the completion of the acquisition of remaining 30% stake, Samson will be able to recognize all of profits from this facility, which has three production lines and a production capacity of 700 containers of furniture per month. This new facility has dedicated one production line to Universal Furniture while the other two lines will continue to serve other OEM customers. The investment in Bangladesh has also blossomed, and the expansion of dining tables and chairs production in Bangladesh is also on track. Since 2020, Samson has successfully transferred from a China-centric manufacturing process to a globally diverse footprint and is better prepared to manage future uncertainties in the global market.

Overall, under the effects of the COVID-19 pandemic related shutdown of the U.S. economy, the Group's top line reduced by US\$28.3 million or 14.1% for the six-month period ending on 30 June 2020. Top line reduction is mainly reflected in the traditional channel. With rising demand and the increase utilization of Samson's Vietnamese facility, the Group expects sustainable recovery of postponed orders and shipments with improved financials over the next 6 to 12 months.



Financial Review

Net sales for the six-month period under review was US\$172.1 million as compared to US\$200.4 million for the corresponding period in last year, representing a decrease of US\$28.3 million or 14.1%. The decrease in net sales was attributable to the global outbreak of coronavirus disease 2019 (the "COVID-19"), resulted in postponement of lots of confirmed orders and shipments by end customers.

Gross profit margin for the period of 22.8% decreased from 32.5% for the corresponding period in 2019. The decreased margin was mainly attributable to the temporary suspension of operation and regional lockdowns of the Group's principal markets and manufacturing operation in various cities amid outbreak of the COVID-19 since the beginning of 2020, while certain operating costs of the Group remain fixed.

Total operating expenses for the period decreased to US\$63.3 million from US\$66.6 million for the corresponding period in 2019. The decrease in operating expenses was mainly attributable to effective cost control measures and reduced operating expenses from the shutdown of the U.K. subsidiary in 2019 but partially offset by the newly acquired company.

Compared with a profit of US\$1.8 million for the corresponding period in 2019, the Group recorded a loss of US\$16.6 million for the period, which was attributable to the decrease of sales due to the global spread of the COVID-19, while relatively fixed costs attached to the operation of the Group remain.

Liquidity, Financial Resources and Capital Structure

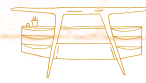
As at 30 June 2020, the Group's cash and cash equivalents decreased by US\$13.6 million to US\$49.1 million from US\$62.7 million as at 31 December 2019. Interest-bearing bank borrowings decreased by US\$16.6 million to US\$170.5 million from US\$187.1 million as at 31 December 2019. The gearing ratio (total bank borrowings/shareholders' equity) decreased to 56.6% from 58.7% as at 31 December 2019. The Group possesses sufficient cash and available banking facilities to meet working capital requirements and to enable further potential acquisitions with confidence.

Cash and cash equivalents held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling, Vietnamese Dong, New Taiwan dollars, Indonesian Rupiah and Hong Kong dollars. As at 30 June 2020, interest-bearing bank borrowings of US\$138.0 million (31 December 2019: US\$154.6 million) bore interest at floating rates or fixed rate ranging from 0.7% to 1.9% respectively and long term bank borrowings of US\$32.5 million bore interest at a floating rate (31 December 2019: US\$32.5 million).

Sources of liquidity include cash and cash equivalents, short term bank deposit, cash from operations and general banking facilities granted to the Samson, allowing the Group maintain strong and prudent liquidity for day-to-day operations and business development.

With an international operation, Samson is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi and Vietnamese Dong. Although the majority of the total revenue is denominated in U.S. dollars, a substantial portion of cost of sales is paid in Vietnamese Dong and Renminbi. The exchange rates of Vietnamese Dong and Renminbi to U.S. dollars have fluctuated substantially in recent years and may continue to fluctuate in the foreseeable future.

The Group's current assets decreased by 9.3% to US\$376.5 million from US\$415.0 million as at 31 December 2019 and the Group's current liabilities decreased by 7.8% to US\$228.3 million from US\$247.5 million as at 31 December 2019. The current ratio (current assets/current liabilities) is 1.6 times (31 December 2019: 1.7 times).



6 Management Discussion and Analysis (cont'd)

Pledge of Assets

As at 30 June 2020, certain of the Group's property, plant and equipments, investment properties, other intangible assets, inventories, trade and other receivables and bank deposits with an aggregate carrying amount of US\$191.5 million (31 December 2019: US\$162.7 million) have been pledged to the banks to secure the general banking facilities granted to the Group.

Capital Expenditure

Capital expenditure for the six months ended 30 June 2020 amounted to US\$3.7 million compared to US\$5.2 million for the same period in 2019. Capital expenditure was mainly incurred for the purpose of upgrading and renovation of building, plant and machinery in the U.S. and the expansion of new production lines in Vietnam.

Outlook

Although the demand for the first half of 2020 was severely impacted by the pandemic of the COVID-19, due to the zero interest rate adjustment by the FED, the U.S. Housing Starts and Existing Home Sales have made a turnaround by June 2020. As prices strengthen, the housing market, along with the F&HF demand are showing signs of recovery from the coronavirus shutdown. Looking forward to the second half of this year, while more uncertainty is expected with another wave of the COVID-19 infections in overseas regions, Samson expects revenue recovery caused by postponed demand.

Due to supply chain disruptions, the overall U.S. market is currently facing a supply shortage. In the second half of 2020, the Group's inventory position in certain products could be stressed as availability lags demand. However, Samson continues to increase its production capacity through additional hiring and production line expansion while following the guidance of local authorities to ensure the health and safety of its employees, suppliers, and retail partners.

With the diversification of its manufacturing bases, including China, Vietnam, Indonesia, Bangladesh and the U.S., Samson's management team is able to mitigate much of the impact from the uncertainties in the current crisis through agile strategy adjustments and effective execution. Therefore, Samson is poised to maintain its competitiveness and continue its expansion in the U.S. market share.

Employees and Emolument Policy

As at 30 June 2020, the Group employed approximately 5,700 (31 December 2019: 8,200) full-time employees in the PRC, the U.S., Taiwan, Bangladesh, Indonesia and Vietnam.

For the six months ended 30 June 2020, the total remuneration of employees (including the remuneration of the Company's directors) was approximately US\$48.2 million (30 June 2019: US\$53.7 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 2020 (six months ended 30 June 2019: 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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the six months ended 30 June 2020, save as mentioned below.

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

Changes in Directors’ Biographical Details

There is no change of the Directors’ information pursuant to Rule 13.51.B of the Listing Rules since the disclosure made in the Company’s annual report 2019 or the announcement in relation to the appointment and/or resignation of the Directors.

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 2020.

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

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

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

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

None of the Company’s subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period.



8 Other Information (cont'd)

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 2020 were as follows:

	Date of grant	Exercise price <i>HK\$/share</i>	Vesting date	Exercise period	Number of share options		
					Outstanding as at 1.1.2020	Exercised during the period	Outstanding as at 30.06.2020
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.

During the six months ended 30 June 2020, no share options were cancelled, lapsed or exercised (six months ended 30 June 2019: Nil).

During the six months ended 30 June 2020, no share options were granted (six months ended 30 June 2019: Nil), and no share option expense was incurred (six months ended 30 June 2019: Nil).



Directors' Interests in Shares and Underlying Shares

As at 30 June 2020, the interests of the directors or chief executive in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of directors	Capacity	Number of issued ordinary shares held (Long positions)	Percentage of the issued share capital of the Company
Mr. Shan Huei KUO	Held by controlled corporations (<i>Note</i>)	2,146,346,773	69.07%
Ms. Yi-Mei LIU	Held by controlled corporations (<i>Note</i>)	2,146,346,773	69.07%
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 2020.

Substantial Shareholders' Interests in Shares

As at 30 June 2020, 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	69.07%
Advent Group Limited ("Advent")	Beneficial owner	2,146,346,773	69.07%

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 2020 have been reviewed by Ernst & Young, of which the review report is included in this interim report, and the Company's Audit Committee.



10 Report on Review of Interim Financial Information



Ernst & Young
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1 Tim Mei Avenue
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中信大廈22樓

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Fax 傳真: +852 2868 4432
ey.com

To the board of directors of Samson Holding Ltd.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 11 to 32, which comprises the condensed consolidated statement of financial position of Samson Holding Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The 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 (“HKICPA”).

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 HKICPA. A review of interim financial information 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

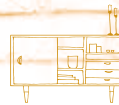
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

27 August 2020



Condensed Consolidated Statement of Profit or Loss

11

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
REVENUE	4	172,143	200,425
Cost of sales		(132,896)	(135,378)
Gross profit		39,247	65,047
Other income, gains, losses and expenses		7,835	8,159
Distribution costs		(5,812)	(8,012)
Sales and marketing expenses		(28,475)	(35,658)
Administrative expenses		(28,969)	(22,956)
Share of loss of an associate		(79)	–
Finance costs		(2,811)	(3,575)
(LOSS)/PROFIT BEFORE TAX	5	(19,064)	3,005
Income tax credit/(expense)	6	2,472	(1,202)
(LOSS)/PROFIT FOR THE PERIOD		(16,592)	1,803
Attributable to:			
Owners of the parent		(15,048)	1,803
Non-controlling interests		(1,544)	–
		(16,592)	1,803
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic (in US cent)		(0.484)	0.058
– Diluted (in US cent)		(0.484)	0.058



12 Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(16,592)	1,803
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	(2,143)	(773)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(18,735)	1,030
Attributable to:		
Owners of the parent	(17,199)	1,030
Non-controlling interests	(1,536)	–
	(18,735)	1,030



Condensed Consolidated Statement of Financial Position

13

At 30 June 2020

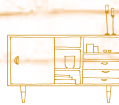
	<i>Notes</i>	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	86,450	87,474
Investment properties		7,348	7,462
Right-of-use assets		51,142	52,153
Goodwill		25,793	25,793
Other intangible assets		5,234	5,354
Investment in an associate		909	988
Deposits for acquisition of prepaid land lease		36,880	36,880
Deferred tax assets		11,526	7,706
Total non-current assets		225,282	223,810
CURRENT ASSETS			
Inventories		134,445	140,118
Trade and other receivables	10	83,920	108,099
Held-for-trading investments	11	94,070	93,748
Tax recoverable		2,690	2,170
Pledged bank deposits		12,199	3,942
Short term bank deposits		–	4,200
Cash and cash equivalents	12	49,139	62,678
Total current assets		376,463	414,955
CURRENT LIABILITIES			
Trade and other payables	13	73,664	76,759
Interest-bearing bank borrowings	14	137,975	154,569
Lease liabilities		7,304	7,276
Tax payable		9,327	8,895
Total current liabilities		228,270	247,499
NET CURRENT ASSETS		148,193	167,456
TOTAL ASSETS LESS CURRENT LIABILITIES		373,475	391,266



14 Condensed Consolidated Statement of Financial Position (cont'd)

At 30 June 2020

	<i>Notes</i>	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	32,550	32,550
Lease liabilities		23,668	23,885
Deferred tax liabilities		8,570	7,409
Total non-current liabilities		64,788	63,844
Net assets		308,687	327,422
EQUITY			
Issued capital	15	155,374	155,946
Reserves		145,983	162,610
Non-controlling interests		301,357	318,556
		7,330	8,866
Total equity		308,687	327,422



Condensed Consolidated Statement of Changes in Equity

15

For the six months ended 30 June 2020

	Share Issued capital US\$'000	Share repurchase reserve US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Share option reserve US\$'000	Merger reserve US\$'000	Exchange reserve US\$'000	Retained profits US\$'000	Total US\$'000	Non- controlling interests US\$'000	Total US\$'000
At 1 January 2020 (audited)	155,946	(492)	105,892	1,012	256	1,581	(6,641)	61,002	318,556	8,866	327,422
Loss for the period	-	-	-	-	-	-	-	(15,048)	(15,048)	(1,544)	(16,592)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,151)	-	(2,151)	8	(2,143)
Total comprehensive loss for the period	-	-	-	-	-	-	(2,151)	(15,048)	(17,199)	(1,536)	(18,735)
Shares cancelled (<i>note 15</i>)	(572)	492	80	-	-	-	-	-	-	-	-
At 30 June 2020 (unaudited)	155,374	-	105,972	1,012	256	1,581	(8,792)	45,954	301,357	7,330	308,687
At 1 January 2019 (audited)	155,946	-	105,892	1,012	256	1,581	(4,135)	109,611	370,163	-	370,163
Profit for the period	-	-	-	-	-	-	-	1,803	1,803	-	1,803
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(773)	-	(773)	-	(773)
Total comprehensive income for the period	-	-	-	-	-	-	(773)	1,803	1,030	-	1,030
At 30 June 2019 (unaudited)	155,946	-	105,892	1,012	256	1,581	(4,908)	111,414	371,193	-	371,193



16 Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Net cash flows from operating activities	15,389	28,625
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	233	335
Purchases of items of property, plant and equipment	(3,706)	(5,225)
Proceeds from disposal of items of property, plant and equipment	31	11,170
Proceeds from release of short-term deposits	4,200	–
Deposits for acquisition of prepaid land lease	–	(14,752)
(Increase)/decrease in pledged bank deposits	(8,257)	5,101
Net cash flows used in investing activities	(7,499)	(3,371)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	167,081	115,788
Repayment of bank loans	(183,675)	(119,853)
Principal portion of lease payments	(3,419)	(2,208)
Interest paid	(2,138)	(3,337)
Net cash flows used in financing activities	(22,151)	(9,610)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(14,261)	15,644
Cash and cash equivalents at the beginning of period	62,678	46,232
Effect of foreign exchange rate changes	722	(1,133)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	49,139	60,743
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	49,139	60,743



1. Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

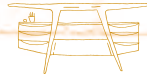
2. Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information:

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

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.



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

30 June 2020

2. Changes in Accounting Policies (continued)

The nature and impact of the revised HKFRSs are described below: (continued)

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

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\$4,287,000 (six months ended 30 June 2019: US\$21,139,000) represents the loss/profit before tax earned by the single reportable segment excluding administrative expenses, other income, gains, losses and expenses, non-lease-related finance costs and share of loss of an associate.

4. Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of furniture	171,987	200,266
<i>Revenue from other sources</i>		
Service fee income	156	159
	172,143	200,425



4. Revenue (continued)

Revenue from contracts with customers

(i) **Disaggregated revenue information**

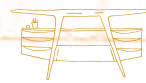
Segment - Furniture

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Types of goods or services		
Sale of furniture and total revenue from contracts with customers	171,987	200,266
Geographical markets		
The People's Republic of China ("PRC"), including Hong Kong	2,228	5,949
The United Kingdom ("U.K.")	–	3,151
The United States of America ("U.S.")	165,047	183,085
Others	4,712	8,081
Total revenue from contracts with customers	171,987	200,266
Timing of revenue recognition		
Goods transferred at a point in time and total revenue from contracts with customers	171,987	200,266

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

Segment - Furniture

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Revenue from contracts with customers		
External customers	171,987	200,266



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

30 June 2020

5. (Loss)/Profit Before Tax

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

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Cost of inventories sold	131,749	126,474
Write-down of inventories to net realisable value	1,415	9,912
Reversal of inventory provision	(268)	(1,008)
Depreciation of investment properties	114	114
Depreciation of property, plant and equipment	4,557	6,680
Depreciation of right-of-use assets	4,181	2,333
Government subsidies*	(3,514)	–
Impairment of trade receivables	1,081	620
Net gain on held-for-trading investments	(1,727)	(6,015)
Loss/(gain) on disposal of items of property, plant and equipment	37	(970)
Bank interest income	(233)	(335)
Exchange differences, net	1,211	(195)

- * The Group received government grants and subsidies amounting to US\$12,759,000 in the PRC and the U.S. to obtain monetary support to sustain payroll and operational expenses of the Group during the coronavirus outbreak. As at 30 June 2020, an amount of US\$3,514,000, which did not have unfulfilled conditions or contingencies, is included in "Other income, gains, losses and expenses" in the condensed consolidated statement of profit or loss, and the remaining balance of US\$9,245,000, which has no reasonable assurance that it will meet the terms of forgiveness, is included in "Other payables and accruals".



6. Income Tax

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

The applicable tax rate for the PRC subsidiaries of the Group is 25% for the six months ended 30 June 2019.

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

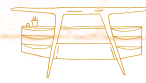
Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Current tax:		
U.S.	–	47
PRC	–	165
Taiwan	333	523
Hong Kong	271	–
Overprovision in prior years in the U.S.	(417)	–
Deferred tax	(2,659)	467
Total tax (credit)/charge for the period	(2,472)	1,202

7. Dividends

During the six months ended 30 June 2020 and 2019, no final dividend was paid to the shareholders of the Company.

For the six months ended 30 June 2020, the board of directors resolved not to declare any interim dividend (six months ended 30 June 2019: Nil).



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

30 June 2020

8. (Loss)/Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic and diluted (loss)/earnings per share for the period is based on:

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
(Loss)/profit for the period and (loss)/earnings for the purpose of basic and diluted (loss)/earnings per share calculation	(15,048)	1,803

	For the six months ended 30 June	
	2020 Number of shares	2019 Number of shares
Weighted average number of ordinary shares in issue during the period used in basic and diluted (loss)/earnings per share calculation	3,110,064,248	3,118,909,773

The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's share options for the six months ended 30 June 2020 and 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. Property, Plant and Equipment

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment of US\$3,706,000 (six months ended 30 June 2019: US\$5,225,000). In addition, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of US\$68,000 (six months ended 30 June 2019: US\$10,200,000) for cash proceeds of US\$31,000 (six months ended 30 June 2019: US\$11,170,000), resulting in a loss on disposal of US\$37,000 (six months ended 30 June 2019: gain of US\$970,000).



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

23

30 June 2020

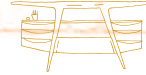
10. Trade and Other Receivables

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Trade receivables:		
Within 1 month	35,759	42,496
1 to 2 months	7,830	13,906
Over 2 months	10,336	19,836
	53,925	76,238
Other receivables and prepayments	29,995	31,861
	83,920	108,099

11. Held-For-Trading Investments

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Debt securities, at fair value:		
Listed in the U.S. with average yield rate of 1.46% to 2.99% and maturity from January 2020 to September 2021	1,137	1,840
Listed in Hong Kong with average yield rate of 3.11% to 3.14% and maturity from January 2020 to April 2027	4,980	4,712
Listed in Singapore with average yield rate of 2.73% to 2.99% and maturity from March 2020 to August 2030	4,813	4,777
Listed in other jurisdictions with average yield rate of 2.26% to 2.78% and maturity from March 2021 to June 2026	1,202	1,448
Investment fund portfolio A, at fair value (Note)	81,242	80,569
Investment fund portfolio B, at fair value (Note)	214	200
Investment fund portfolio C, at fair value (Note)	190	202
Investment fund portfolio D, at fair value (Note)	292	–
	94,070	93,748



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

30 June 2020

11. Held-For-Trading Investments (continued)

The above investments as at 30 June 2020 and 31 December 2019 were classified as financial assets at fair value through profit or loss as they are held for trading.

Note: The investment fund portfolios were mandatorily classified as financial assets at fair value through profit or loss, as their contractual cash flows were not solely payments of principal and interest. Investment fund portfolio A was a wealth management product issued by United Banicare Privée in Luxembourg. The Group acquired Investment fund portfolio A at an investment cost of US\$80,500,000. During the six months ended 30 June 2020, the Group received dividends of US\$782,000 (six months ended 30 June 2019: US\$2,402,000) from investment fund portfolio A and the Group did not acquire or dispose of Investment fund portfolio A during the period. As at 30 June 2020, the Group holds 80,500 units (31 December 2019: 80,500 units) of Investment fund portfolio A which accounted for approximately 13.5% (31 December 2019: 12.6%) of the total assets of the Group, and the unrealised profit of Investment fund portfolio A amounted to US\$ 673,000 was charged to profit or loss during the six months ended 30 June 2020 (six months ended 30 June 2019: US\$2,590,000). The Group holds the portfolio A for capital appreciation and has been closely monitoring the performance from time to time.

12. Cash and Cash Equivalents

At 30 June 2020, cash and cash equivalents were cash and bank balances with an original maturity of 3 months or less of US\$49,139,000 (31 December 2019: US\$62,678,000).

13. Trade and Other Payables

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

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Trade payables:		
Within 1 month	12,919	13,733
1 to 2 months	1,561	3,827
Over 2 months	5,648	6,413
	20,128	23,973
Other payables and accruals	53,536	52,786
	73,664	76,759



14. Interest-Bearing Bank Borrowings

	30 June 2020			31 December 2019		
	Effective interest rate (%)	Maturity	US\$'000 (Unaudited)	Effective interest rate (%)	Maturity	US\$'000 (Audited)
Current						
Bank loans – unsecured	0.70 – 1.87	2020	137,975	2.37 – 2.91	2020	146,539
Bank loans – secured			–	2.85	2020	8,030
			<u>137,975</u>			<u>154,569</u>
Non-current						
Bank loans – unsecured	1.27	2022	32,550	2.92	2022	32,550
			<u>170,525</u>			<u>187,119</u>

15. Share Capital

	Number of shares	Nominal value US\$'000
Ordinary shares of US\$0.05 each		
Authorised:		
At 31 December 2019 and 30 June 2020	<u>6,000,000,000</u>	<u>300,000</u>

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 2019 and 1 January 2020	3,118,909,773	155,946	105,892	261,838
Shares cancelled	(11,436,000)	(572)	80	(492)
At 30 June 2020	<u>3,107,473,773</u>	<u>155,374</u>	<u>105,972</u>	<u>261,346</u>



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

30 June 2020

15. Share Capital (continued)

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

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

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

None of the Company's subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

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 2020, the Company had 26,700,000 (2019: 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 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\$1,335,000 and share premium of US\$947,000 (before issue expenses).

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.



16. Share Option Scheme (continued)

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.

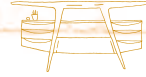
Details of the share options granted and outstanding under the 2016 Share Option Scheme during the six months ended 30 June 2020 were as follows:

	Date of grant	Exercise price <i>HK\$/share</i>	Vesting date	Exercise period	Outstanding as at 1.1.2019, 31.12.2019 1.1. 2020 and 30.6.2020
<i>Other employees:</i>					
In aggregate	11.11.2016	0.67	11.11.2016	11.11.2016 – 10.11.2021	26,700,000
Exercisable at the end of the year/period					26,700,000
Weighted average exercise price (HK\$ per share)*					0.67

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

During the six months ended 30 June 2020, no share options were cancelled, lapsed or exercised (six months ended 30 June 2019: Nil).

During the six months ended 30 June 2020, no share options were granted (six months ended 30 June 2019: Nil), and no share option expense was incurred (six months ended 30 June 2019: Nil).



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

30 June 2020

17. Commitments

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted, but not provided for	3,096	2,119

18. Related Party Transactions

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

Name of related company	Nature of transaction	For the six months ended 30 June	
		2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Samson Global Co., Ltd.	Rental paid	20	19

The above company is beneficially owned and jointly controlled by Mr. Shan Hwei 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:

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Short term benefits	453	953

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.



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 2020

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Held for trading	cost	Total
	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Trade receivables	–	53,925	53,925
Financial assets included in prepayments and other receivables	–	23,587	23,587
Held-for-trading investments	94,070	–	94,070
Pledged bank deposits	–	12,199	12,199
Cash and cash equivalents	–	49,139	49,139
	94,070	138,850	232,920

Financial liabilities

	Financial liabilities at amortised cost
	US\$'000
	(Unaudited)
Trade payables	20,128
Financial liabilities included in other payables and accruals	29,163
Interest-bearing bank borrowings	170,525
Lease liabilities	30,972
	250,788



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

30 June 2020

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 2019

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Held for trading		
	US\$'000	US\$'000	US\$'000
	(Audited)	(Audited)	(Audited)
Trade receivables	–	76,238	76,238
Financial assets included in prepayments and other receivables	–	24,504	24,504
Held-for-trading investments	93,748	–	93,748
Pledged bank deposits	–	3,942	3,942
Short term bank deposits	–	4,200	4,200
Cash and cash equivalents	–	62,678	62,678
	93,748	171,562	265,310

Financial liabilities

	Financial liabilities at amortised cost
	US\$'000
	(Audited)
Trade payables	23,973
Financial liabilities included in other payables and accruals	32,613
Interest-bearing bank borrowings	187,119
Lease liabilities	31,161
	274,866



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, trade receivables, trade payables, financial assets included in other receivables and prepayments, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of 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 2020 was assessed to be insignificant.

The Level 1 and Level 2 fair values of the held-for-trading investments are based on quoted market prices and quotes from financial institutions, respectively.

Fair value hierarchy

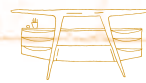
The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

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 2020			
Held-for-trading investments	12,132	81,938	94,070
As at 31 December 2019			
Held-for-trading investments	12,777	80,971	93,748

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

During the six months ended 30 June 2020, 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 2019: Nil).



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

30 June 2020

21. Event After the Reporting Period

On 3 August 2020, a wholly-owned subsidiary of the Company, Sheen Success Corporation Limited (the “Purchaser”), Mr. Hsu Wei-Fu (the “Vendor”) and Jolly State International Limited (the “Target”) entered into a share transfer agreement pursuant to which the Purchaser has agreed to acquire and the Vendor has conditionally agreed to sell an aggregate of 30% of the equity interests of the Target, for the cash consideration of US\$13,950,000. As at 30 June 2020, the Company held a 70% equity interest of the Target and its subsidiary, namely Timber Industries Co., Ltd. (Vietnam). Upon the completion of the acquisition, the Target and its subsidiary had become wholly-owned subsidiaries of the Company.

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 27 August 2020.