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## SAMSON HOLDING LTD.

順誠控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00531)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the “Board”) of Samson Holding Ltd. (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 with the comparative figures as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 US\$'000 (Unaudited)	2015 US\$'000 (Unaudited)
Revenue	4	215,968	211,221
Cost of sales		<u>(156,238)</u>	<u>(157,144)</u>
Gross profit		59,730	54,077
Other income, gains, losses and expenses		(48)	8,451
Distribution costs		(9,662)	(9,761)
Sales and marketing expenses		(21,861)	(20,927)
Administrative expenses		(19,837)	(19,552)
Finance costs		<u>(601)</u>	<u>(1,840)</u>
Profit before tax	5	7,721	10,448
Income tax expense	6	<u>(2,760)</u>	<u>(3,144)</u>
Profit for the period		<u><u>4,961</u></u>	<u><u>7,304</u></u>
Earnings per share attributable to ordinary equity holders of the parent	8		
– Basic (in US cents)		<u><u>0.163</u></u>	<u><u>0.240</u></u>
– Diluted (in US cents)		<u><u>0.163</u></u>	<u><u>0.240</u></u>

\* For identification purposes only

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>4,961</u>	<u>7,304</u>
<b>Other comprehensive loss:</b>		
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	<u>(10,025)</u>	<u>(2,656)</u>
<b>Total comprehensive (loss)/income for the period</b>	<u><b>(5,064)</b></u>	<u><b>4,648</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

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

## Notes:

### 1. BASIS OF PREPARATION

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

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

### 2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

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

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

### 3. OPERATING SEGMENTAL INFORMATION

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

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

#### 4. REVENUE

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

#### 5. PROFIT BEFORE TAX

Six months ended 30 June	
2016	2015
US\$'000	US\$'000
(Unaudited)	(Unaudited)

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

Write-down of inventories to net realisable value	2,176	493
Depreciation of investment properties	114	114
Depreciation of items of property, plant and equipment	5,905	5,903
Impairment loss on trade receivables	49	1,149
Net loss/(gain) on derivative financial investments	3,196	(2,979)
Net gain on held-for-trading investments	(3,519)	(3,488)
Loss on disposal of items of property, plant and equipment	134	1,158
Amortisation of prepaid land lease payments	149	157
Bank interest income	(714)	(4,638)
	<u>2,176</u>	<u>493</u>

#### 6. INCOME TAX EXPENSE

Six months ended 30 June	
2016	2015
US\$'000	US\$'000
(Unaudited)	(Unaudited)

Tax charge comprises:

Current tax

The United States of America (the "U.S.") income tax		
Current period	2,776	1,340
Elsewhere	499	1,226
Deferred tax	(515)	578
	<u>2,760</u>	<u>3,144</u>

Total tax charge for the period

	<u>2,760</u>	<u>3,144</u>
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The U.S. income tax charge comprises federal income tax calculated at 34% (six months ended 30 June 2015: 34%) and state income tax calculated at various rates on the estimated assessable profits of the Company's subsidiaries in the U.S..

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

## 7. DIVIDENDS

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

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

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

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

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

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

## 9. TRADE AND OTHER RECEIVABLES

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

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

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

## 10. HELD-FOR-TRADING INVESTMENTS

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

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

## 11. TRADE AND OTHER PAYABLES

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

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

## **REVIEW AND OUTLOOK**

### **BUSINESS REVIEW**

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

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

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

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

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

### **FINANCIAL REVIEW**

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

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



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

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

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

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

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

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

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

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

## **PLEDGE OF ASSETS**

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

## **CAPITAL EXPENDITURE**

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

## **OUTLOOK**

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

## **DIVIDEND**

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

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 12 September 2016 to Tuesday, 13 September 2016, both days inclusive, during which period no transfers of shares will be registered. In order to be eligible for the entitlement to the interim dividend, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 September 2016.

## **CORPORATE GOVERNANCE**

The Board is committed to maintaining high standards of corporate governance. The Company confirms that it has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2016, save that Mr. Shan Huei Kuo is the Chairman of the Board and also the Chief Executive Officer of Lacquer Craft Mfg. Co., Ltd. (Dongguan) and Lacquer Craft Mfg. Co., Ltd. (Zhejiang). The Group does not intend to separate these two functions as both the Board and senior management of the Group have significantly benefited from the leadership, support and experience of Mr. Kuo in his management of the Board and the business of the Company.

## **CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS**

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

Having made specific enquiry, all directors have confirmed that they have complied with the Model Code and the Company’s Code throughout the six months ended 30 June 2016.

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

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

## **INDEPENDENT AUDITORS AND AUDIT COMMITTEE REVIEW**

The unaudited interim results and interim report for the six months ended 30 June 2016 have been reviewed by Ernst & Young, which report is included in the interim report to be despatched to the shareholders, and the Company’s Audit Committee.

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

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

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

24 August 2016

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