Samson Holding Ltd.

順誠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 531.hk)

Annual Report 2015

* for identification purpose only

Lacquer Craft
UNIVERSAL Good. Affordable. Smart Design.
Legacy Classic Furniture
CRAFTMASTER FURNITURE
WILLIS & GAMBIER Furniture designed for life
smartstuff furniture for kids.
PAULA DEEN Home
LC kids legacy classic
Inspirations by wendy bellissimo
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.") and in the United Kingdom (the "U.K."). Further, we are among the top 3 casegoods manufacturers in Asia. We currently market a wide range of our furniture products through a portfolio of brand names including Universal Furniture, Smartstuff by Universal, Legacy Classic Furniture, Legacy Classic Kids, Craftmaster Furniture, Pennsylvania House, LacquerCraft Hospitality, and licensed with Paula Deen and Wendy Bellissimo in the U.S. Since October 2008, with the acquisition of a U.K. premium casegoods importer and wholesaler under the brand name "Willis Gambier", we have established a solid presence in the U.K. and Europe. In addition to our own brands, through our mega factories named Lacquer Craft in the People's Republic of China (the "PRC"), we also manufacture for a number of North American leading brands.

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

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

Mr. Sheng Hsiung PAN
Mr. Yuang-Whang LIAO (resigned on 10 July 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Pik Yuk CHENG

AUTHORIZED REPRESENTATIVES

Ms. Yi-Mei LIU
Ms. Pik Yuk CHENG

REGISTERED OFFICE

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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 531

WEBSITES

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

PRINCIPAL PLACES OF BUSINESS

China:

Jian She Road, Jin Ju Village
Daling Shan Town
Dongguan City
Guangdong Province
China, 523830

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

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

United States of America:

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

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

United Kingdom:

Unit 2, Kingston Park, Flaxley Road
Peterborough, PE2 9EN
England, U.K.

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal:

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

Hong Kong Branch:

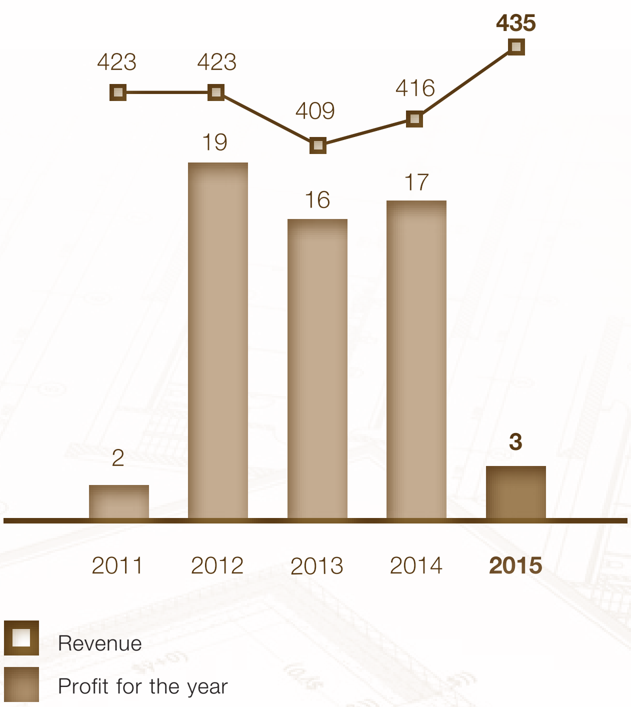
Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

	2015 US$'000	2014 US$'000	2015 HK$'000*	2014 HK$'000*
Operating results				
Revenue	**435,146**	415,799	**3,394,139**	3,243,232
Earnings before interest and tax	**10,581**	25,494	**82,532**	198,853
Profit for the year	**2,841**	17,496	**22,160**	136,469
Earnings per share *(US/HK cents)*	**0.1**	0.6	**0.78**	4.68
Financial position				
Total assets	**625,066**	775,497	**4,875,515**	6,048,877
Net current assets	**281,557**	331,326	**2,196,145**	2,584,343
Shareholders' equity	**429,146**	488,568	**3,347,339**	3,810,830
Return on equity** (%)	**0.62%**	3.47%	**0.62%**	3.47%

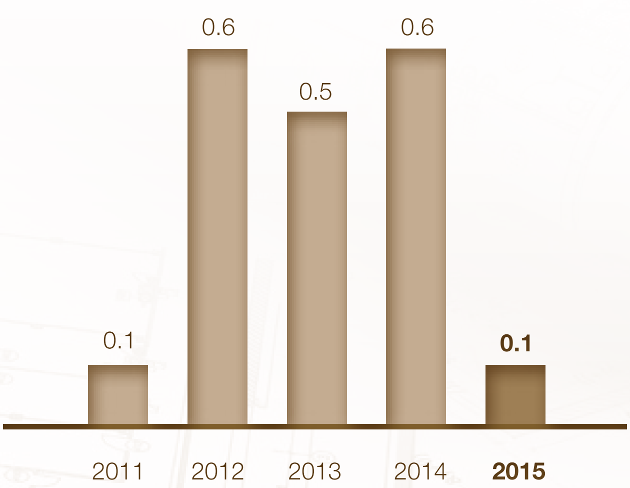
* exchange rate: US$1 to HK$7.8 (for reference only)

** profit for the year/average shareholders' equity

Revenue & Profit for the year
(US$ MN)



Earnings per share
(US cents)



"To maintain and strengthen our position as one of the leading wholesalers in the U.S. residential furniture market and to become one of the leading players in the furniture industry globally"

On behalf of the board of directors (the "Board") of Samson Holding Ltd., I am pleased to present to the shareholders the annual results of the Company and its subsidiaries for the year ended 31 December 2015.

RESULTS

Our turnover was US$435.1 million in 2015, a 4.6% increase over the year of 2014. Gross profit margin was recorded at 27.3% in both 2014 and 2015, with a gross profit of US$119.0 million as compared to US$113.7 million in 2014; and profit for the year of the Group was US$2.8 million, compared to a profit of US$17.5 million in 2014.

BUSINESS DEVELOPMENT AND OUTLOOK

We believe that our business is in the early stage of moving out from business recession since year 2010. Amid a world of economic volatility, we continue to be positive and see signs of bottoming up in the U.S. economy, as evidenced by the improving employment and the encouraging housing data. Furniture industry is riding with the growing consumer spending, with upholstery and hospitality to take the lead, and followed by casegoods business.

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 may be 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 the winning factors for the next recovery cycle.

Here are the progresses made on our principal strategies:

1. **Focus on strengthening our market presence and brand awareness**

   With many successful marketing initiatives, our diverse and distinguished brands continue to provide valuable contribution to the Group. Over the last decade, we have grown from a pure OEM manufacturer to a brand-led business. We currently have brands compete in the mid to higher price point of the furniture market as well as mass merchant, OEM and hospitality channels. In the future, we would consider acquiring a better end company as well as possible entering into different segment of the furniture industry.

2. **Focus on building Upholstery and Hospitality businesses**

   In addition to our casegoods business, upholstery and hospitality have become major growth drivers and revenue contributors over the past five years. These two businesses are complementary to our casegoods business and have provided additional synergy to our marketing channels and better clients attachment.

3. **Focus on improving and diversifying original equipment manufacturing ("OEM") business**

   As one of the world's leading manufacturers, our attention to detail and dedication to quality and service has led several renowned brands and leading retailers to select us as their choice of OEM producer. Despite a modest decline in OEM sales, we were able to develop new customer relationship at the same time maintain as a primary supplier for our existing clients.

4. **Focus on improving efficiencies and core competitiveness**

   As a vertically integrated company, our goal is to remain strong as a China-based furniture manufacturer while expanding into other sectors of the furniture industry. In order for us to stay competitive in China, we will further strengthen operational efficiency through a series of cost reduction initiatives. Moreover, we will continue to invest significant amount of time and capital in the standardisation and automation of our manufacturing process.

5. **Shareholders' value and corporate governance**

   The management is committed to creating value by acting in the best interests of all shareholders. We will continue to thrive in today's business environment by staying focused on investing our brands, expanding product offerings, entering new markets with more effective and diversified channels, improving operation efficiency and cost structure to generate solid growth and sustainable profitability. As such, superior financial results and shareholders' value will be achieved without compromising integrity and business ethics. Through the efforts of the Board and external advisers, the Group will continue promoting transparency and enhancing corporate governance.

APPRECIATION

I would like to take this opportunity to express my appreciation to our directors, management team and employees for their continuous passion and hard work to the Group. Moreover, I would like to extend my sincere gratitude to all shareholders, customers, suppliers and business partners for their continuous support.

Shan Huei KUO
Chairman
23 March 2016

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.

Amid a world of economic volatility, we continue to be positive and see signs of bottoming up of the U.S. economy, as evidenced by the improving employment and the encouraging housing data. Our upholstery and hospitality businesses are growing fast to ride with the U.S. economy's early recovery. In short five years, the management has achieved to develop these two businesses into sizable ones of the Company. With economy and consumer spending continue to improve in the U.S., we are expecting casegoods business to ride on the growth in the next years.

However, the U.S. economy recovers unevenly among different social classes, or commonly known as "M" shape recovery, we now adapt to the economic trend by revising strategy in the branded casegoods business. By introducing better design and quality of manufacturing, we are moving up the products offering to high end category. While facing fierce competition in middle-low end category, we are putting resources in both brand building and new showrooms 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.

For the twelve months of year 2015, we have achieved mid-single digit growth in the top lines, while the gross margins of 25.6% bottomed up in the first half and achieved 28.9% in the second half of the year. If our business strategy and investment work well and the economy continues to improve, we are expecting to see bottom-lines expansion over the next few years.

FINANCIAL REVIEW

Net sales for the year was US$435.1 million compared to US$415.8 million in 2014, an increase of US$19.3 million or 4.6%. The increase in net sales was attributable to the sales growth in Upholstery and Hospitality divisions.

Gross profit increased 4.6% to US$119.0 million from US$113.7 million in 2014. The gross profit margin was the same with 2014 of 27.3%.

Compared to US$95.1 million in 2014, total operating expenses were recorded at US$100.1 million in 2015. The increase was due to the increased variable expenses in distribution, sales and marketing with the growth of sales.

The profit for this year decreased to US$2.8 million from US$17.5 million in 2014. Net profit margin decreased to 0.7% from 4.2% in 2014. 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 United States Dollars and from the unfavorable valuation loss on the Renminbi and the Pound Sterling denominated held-for-trading investments and deposits.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2015, the Group's cash and cash equivalents decreased by US$60.6 million to US$95.9 million from US$156.5 million as at 31 December 2014, short term bank deposits decreased by US$54.3 million to US$30.9 million from US$85.2 million as at 31 December 2014. Interest-bearing bank borrowings decreased from US$208.9 million as at 31 December 2014 to US$110.9 million as at 31 December 2015. The gearing ratio (total bank borrowings/shareholders' equity) decreased to 25.9% as at 31 December 2015 from 42.7% as at 31 December 2014. 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 31 December 2015, interest-bearing bank borrowings of US$106.3 million (2014: US$203.9 million) bore interest at floating rates and long term bank borrowing of US$4.6 million bore interest at floating rate (2014: US$5.0 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 currency 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 31 December 2015, outstanding forward exchange contracts with notional value amounted to US$419.4 million (2014: US$702.7 million).

The Group's current assets decreased by 23.0% to US$469.0 million compared to US$609.5 million as at 31 December 2014 and the Group's current liabilities decreased by 32.6% to US$187.4 million compared with US$278.2 million as at 31 December 2014. The current ratio (current assets/current liabilities) therefore increased to 2.5 times from 2.2 times as at 31 December 2014.

PLEDGE OF ASSETS

As at 31 December 2015, the Group's inventories of US$32.8 million (2014: US$29.0 million), trade and other receivables of US$63.5 million (2014: US$73.1 million), property, plant and equipment of approximately US$42.8 million (2014: US$41.5 million), investment properties of approximately US$8.4 million (2014: US$8.6 million) and pledged bank deposits of approximately US$7.7 million (2014: US$6.9 million) had been pledged to banks to secure the general banking facilities granted to the Group.

CAPITAL EXPENDITURE

Capital expenditures for the year ended 31 December 2015 amounted to US$10.9 million compared to US$13.6 million in 2014. Capital expenditure was mainly incurred for the decoration of showroom building to further expand our operation in the U.S. and the upgrading and renovation of plant and machinery in the PRC.

OUTLOOK

We believe that our business is in the early stage of moving out from 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 may be 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 the winning factors for the next recovery cycle.

DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.05 per share for the year ended 31 December 2015 (2014: HK$0.06 per share), amounting to approximately RMB152.2 million (2014: HK$182.6 million) subject to the approval of the shareholders at the forthcoming annual general meeting. Upon approval of the shareholders, the proposed final dividend will be paid on 28 June 2016 to the shareholders of the Company whose names appear on the Company's register of members as at 8 June 2016.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2015, the Group employed approximately 8,100 (31 December 2014: 8,500) full-time employees in the PRC, the U.S., the U.K. and Taiwan.

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

EXECUTIVE DIRECTORS

Shan Huei KUO, also known as Samuel Kuo, aged 60, is an Executive Director of the Company and Chairman of the Board since 11 July 2005, Chairman of the Nomination Committee and Chief Executive Officer of Lacquer Craft Manufacturing Co., Ltd. (Dongguan) ("Lacquer Craft (Dongguan)") and Lacquer Craft Manufacturing Co., Ltd. (Zhejiang) ("Lacquer Craft (Zhejiang)") (hereinafter collectively referred to as "Lacquer Craft"). Mr. Kuo is a director of various subsidiaries of the Company. Mr. Kuo is one of the founders of our business and has been one of the principal managers responsible for our business and corporate strategy, marketing and production operations and expansion strategies. Mr. Kuo has more than 28 years of experience in the furniture business in Taiwan, the PRC and the U.S. Mr. Kuo is also the former Chairman of the Taiwan Businessmen's Association Dongguan. Mr. Kuo served two years in the military in Taiwan after obtaining a Bachelor of Arts degree in Economics Development from Tamkang University in 1978.

Mr. Kuo is the husband of Ms. Yi-Mei LIU, Executive Director of the Company and Deputy Chairman of the Board. Mr. Kuo and Ms. Liu are the controlling and substantial shareholders of the Company.

Yi-Mei LIU, also known as Grace Liu, aged 58, is an Executive Director of the Company and the Deputy Chairman of the Board since 11 July 2005. She is also a director of all subsidiaries of the Company. Ms. Liu, together with her husband, Mr. Shan Huei KUO, Executive Director of the Company and Chairman of the Board, are founders of our business. Ms. Liu has over 28 years of experience in the furniture business and she has been closely involved in executing the corporate strategy and daily operations of our Group. In addition to her general management role, she oversees the financial control, cash management and human resources operations of our business. Ms. Liu obtained a Bachelor of Arts degree in English Literature from Suzhou University in 1979.

Ms. Liu and Mr. Kuo are the controlling and substantial shareholders of the Company.

Mohamad AMINOZZAKERI, also known as Mohamad Amini, aged 55, is an Executive Director of the Company since 24 October 2005. Mr. Aminozzakeri is also a director of Houson International Limited and Willis Gambier (UK) Limited, members of the Group and President of Lacquer Craft and has been with our Group since May 1995. Prior to becoming President, he held senior management positions in Lacquer Craft both in manufacturing and sales and marketing, and was formerly the executive Vice-President of Lacquer Craft. Mr. Aminozzakeri owned and operated furniture retail stores in California and Arizona for 6 years before then. Mr. Aminozzakeri has over 28 years of experience in the furniture industry and obtained a Bachelor of Science degree in Mechanical Engineering from California State University in Long Beach in 1983.

NON-EXECUTIVE DIRECTORS

Sheng Hsiung PAN, also known as William Pan, aged 60, is a Non-executive Director of the Company since 24 October 2005 and a member of the Audit Committee and Remuneration Committee of the Company. He is the Chief Executive Officer of Tai-Chuan Wooden MFG Co., Ltd, a cue manufacturer. Mr. Pan has over 20 years of experience in sales, marketing, manufacturing, and product development in the cue industry and sales and marketing in billiard cue and related accessories. Mr. Pan obtained a Bachelor of Arts degree in Economics Development from Tamkang University in 1979.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ming-Jian KUO, also known as Andrew Kuo, aged 54, is an Independent Non-executive Director of the Company since 24 October 2005, the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Kuo is currently the Senior Advisor of The Blackstone Group (HK) Limited and also the Chief Executive Officer of Zoyi Capital Ltd. He is a Non-executive Director of Far East Horizon Limited, a company listed on the Main Board of the Stock Exchange, an Independent Director of Cathay Financial Holding Co., Ltd., a company listed on Taiwan Stock Exchange Corporation, and a director of Long Chen Paper Co., Ltd., a company listed on Taiwan Stock Exchange Corporation. Mr. Kuo also serves as an Independent Director of Cathay Life Insurance Co., Ltd., Cathay United Bank Co., Ltd., Cathay Century Insurance Co., Ltd. and Cathay Securities Corporation. From October 2007 to January 2013, Mr. Kuo was the Vice Chairman of The Blackstone Group (HK) Limited in charge of Greater China private equity investment business. He was appointed Managing Director of H&Q Asia Pacific ("H&Q") in September 2005. Before joining H&Q, Mr. Kuo was the Senior Country Officer and Head of Investment Bank of JPMorgan Chase in Hong Kong and has more than 15 years of experience in the corporate finance industry. Since the merger of JPMorgan and Jardine Fleming in 2000, Mr. Kuo had been responsible for the firm's banking business and all investment banking activities in Taiwan. Mr. Kuo was also Vice Chairman of the Greater China Operating Committee of JPMorgan Chase, and since April 2005 he had been responsible for JPMorgan's Financial Sponsor Industry of Asia, ex-Japan. Mr. Kuo had also been Managing Director of the heritage Chase Manhattan Bank since October 1998. Prior to joining JPMorgan Chase, Mr. Kuo worked at Citibank Taipei for more than nine years, last as Head of the Corporate Banking Group responsible for client management. Prior to this, Mr. Kuo was head of the Merchant Banking Group in charge of investment banking and capital market products. He previously worked at Citibank New York, focusing on strategic products, and had experience in Treasury Marketing and Foreign Exchange Trading for six years at Citibank Taipei. He was also the Chief Trader and Head of FX for Citibank from 1993 to 1995. Mr. Kuo retired as a member of the Youth Presidents' Organization and became a member of Taiwan Mergers & Acquisitions and Private Equity Council both in December 2013. Mr. Kuo obtained a Bachelor degree with a major in Business Administration from Fu-Jen Catholic University in 1983 and Master of Business Administration degree from City University of New York in 1989.

Siu Ki LAU, also known as Kevin Lau, aged 57, is an Independent Non-executive Director of the Company since 24 October 2005. He is the Chairman of the Audit Committee of the Company. With over 30 years of experience in corporate finance, financial advisory and management, accounting and auditing, Mr. Lau is currently a financial advisory consultant running his own management consultancy firm, Hin Yan Consultants Limited. Previously, Mr. Lau worked at Ernst & Young for over 15 years. Mr. Lau is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") and The Hong Kong Institute of Certified Public Accountants. He served as a member of the world council of ACCA from 2002 to 2011. Mr. Lau also served on the executive committee of the Hong Kong branch of ACCA ("ACCA Hong Kong") from 1995 to 2011, and was the chairman of ACCA Hong Kong in 2000/2001. Mr. Lau also serves as an Independent Non-executive Director of six other listed companies in Hong Kong: Binhai Investment Company Limited, China Medical & HealthCare Group Limited (formerly COL Capital Limited), Comba Telecom Systems Holdings Limited, Embry Holdings Limited, FIH Mobile Limited and TCL Communication Technology Holdings Limited. He also serves as Company Secretary of Hung Fook Tong Group Holdings Limited and Yeebo (International Holdings) Limited, companies listed in Hong Kong. Mr. Lau also serves as an independent supervisor of Beijing Capital International Airport Co., Ltd., a company listed in Hong Kong. In addition, he also served as an Independent Non-executive Director of UKF (Holdings) Limited, a company listed in Hong Kong, till his resignation on 15 March 2016. Mr. Lau graduated from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1981.

Sui-Yu WU, also known as SY Wu, aged 57, is an Independent Non-executive Director of the Company since 15 December 2008 and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Wu has been practising law for over 30 years, and is the founding partner of Wu & Partners, Attorneys-at-Law, a firm based in Taipei, Taiwan which he founded in 2004. He has been a member of the Taipei Bar Association since 1983. His practice focuses on international economic law and WTO-related practices, cross-border commercial transactions and disputes, and mergers & acquisitions. Before that, Mr. Wu was a senior partner of Lee, Tsai & Partners from 2000 to 2004, the managing partner of Perkins Coie, Taipei Office from 1997 to 2000, and was an Of Counsel of Perkins Coie during 1996 to 1997. Prior to Perkins Coie, Mr. Wu had been with Lee & Li, Attorneys-at-Law since 1981, and was a visiting attorney at Van Bael & Bellis (Brussels, Belgium) and Nishimura & Partners (Tokyo, Japan) in 1988 and 1989 respectively. In addition to Taiwan, Mr.

Wu has been licensed to practise law in New York State since 1990, and has been a member of the American Bar Association and International Bar Association since 1991. He was the Chair of International Trade Committee of the Inter-Pacific Bar Association from 1999 to 2001, and a director of Taipei Bar Association from 1993 to 1996. On the academic track, he was an associate professor at the Soochow University Law School from 1996 to 2005, and Institute of Law for Science and Technology, Tsin Hua University Law School from 2002 to 2005. Mr. Wu received a SJD degree and an LLM degree from the University of Michigan Law School, and an LLB degree from the Law Department of National Taiwan University in 1980.

SENIOR MANAGEMENT

Samson Marketing

Larry CRYAN, aged 60, is Vice President of Operations of Samson Marketing since July 2009 and has been with our Group since July 1999. Mr. Cryan has previously held the positions of Vice President of Operations of Legacy Classic, Corporate Manager of Administration with Hyundai Furniture and also Credit Manager at Ladd Furniture. Mr. Cryan has over 27 years of experience in the furniture industry. Mr. Cryan was awarded a Bachelor of Arts degree in History from the University of Greensboro in 1977.

William Frank NORTON, aged 46, is Vice President of Mass Merchandise Division (d.b.a. Samson International) of Samson Marketing since his rejoining our Group in August 2007 followed by a short-period away. Mr. Norton once held the position of Vice President of Merchandising of Universal Furniture. Prior to this, Mr. Norton held the positions of General Manager of Snavely Forest Products and Sun River Furniture and as Buyer at IKEA North America, Inc. Mr. Norton has more than 20 years of experience in the furniture industry and obtained a Bachelor of Science degree in Furniture Manufacturing and Management from North Carolina State University in 1991.

Universal Furniture

Jeffrey R. SCHEFFER, aged 60, is President and Chief Executive Officer of Universal Furniture. Mr. Scheffer joined our Group in December 2008 and came to us from Stanley Furniture where he was President and Chief Executive Officer. During Mr. Scheffer's 31 years' career in the furniture industry, he has also held the top executive position of American Drew and executive positions with Hyundai Furniture and Carter Industries. Mr. Scheffer was also Vice President-Sales at Universal Furniture from 1992-1996. He obtained a Bachelor of Science degree in Business from Miami University in 1978.

Tsuan-Chien CHANG, also known as Jeffery Chang, aged 52, is Vice President and Chief Financial Officer of Universal Furniture who joined the Group in December of 2008. Prior to joining our Group, Mr. Chang held Controller and Vice President of Operation with Huntington Furniture Industries and as a General Manager at William's Imports. Mr. Chang has more than 18 years of experience in the furniture industry. Mr. Chang received a Bachelor of Science degree in Accountancy in 1993 and a Master degree in Business Administration from California State University, Fresno in 1995.

Legacy Classic

Earl R. WANG, aged 52, is President of Legacy Classic Kids and has been with our Group since December 2011. Prior to joining our Group Mr. Wang previously held the position of Sr. Vice President of Merchandising at LEA/American Drew/Hammary. With more than 20 years' experience in the furniture industry, Mr. Wang has held various management positions in product development and merchandising working for Universal Furniture Mass Merchandise Division and Riverside Furniture. Mr. Wang received a Bachelor of Science Degree in Business Administration from Illinois Wesleyan University, Bloomington, IL in 1986.

Donald A. ESSENBERG, aged 61, is President of Legacy Classic. He transferred from Universal Furniture, where he first began in 2009. Mr. Essenberg has held senior sales and merchandising positions with Broyhill Furniture, Berkline, Bernhardt Furniture and Magnussen Home. He has over 30 years of experience in the furniture industry. Mr. Essenberg received a Bachelor of Business Administration with a double major in management and marketing from Appalachian State University in 1977.

Chen-Kun SHIH, also known as Anderson Shih, aged 45, is Vice President and Chief Financial Officer of Legacy Classic Furniture since August 2011. Prior to his current position, Mr. Shih held the same position at Craftmaster Furniture and has more than 16 years of related working experience in Taiwan, China and the U.S. Mr. Shih began his career at Ernst & Young. He obtained a Bachelor degree in Accounting from the National Chung Hsing University in 1993, and was awarded a Master degree in Business Administration in Finance from the State University of New York at Buffalo in May 1999. Mr. Shih is a Certified Internal Auditor and Certified Public Accountant of the U.S.

Gerald E. SAGERDAHL, aged 65, is Executive Vice President of Sales of Legacy Classic and has been with our Group since March 1999. Mr. Sagerdahl previously held the positions of Vice President at Master Design, Rachlin Furniture and GranTree Furniture Inc. and Sales Manager at Ronald A. Rosberg Corporation. Mr. Sagerdahl has more than 34 years of experience in the furniture industry. Mr. Sagerdahl obtained a Bachelor of Arts degree in Computer Science from College of San Mateo, California in 1973.

Craftmaster Furniture, Inc. ("Craftmaster Furniture")

Roy R. CALCAGNE, aged 58, is President and Chief Executive Officer of Craftmaster Furniture and has been with our Group since August 2003. Prior to joining our Group, Mr. Calcagne was Vice President of Merchandising at Broyhill Furniture Industry. He has previously worked for Joan Fabrics Corporation as Vice President of Sales and Macy's department store as Merchandise Manager and Upholstery Buyer. Mr. Calcagne has over 25 years of experience in the furniture industry. Mr. Calcagne was awarded a Bachelor of Science degree in Marketing from Fairleigh Dickinson University in 1981.

Hau OUYANG, also known as Al Ouyang, aged 41, is Vice President and Chief Financial Officer of Craftmaster Furniture since August 2011. He joined the company in December 2010. Prior to joining our Group, Mr. Ouyang has extensive experience in finance and accounting, including IFRS consulting at Ernst & Young (Taiwan), as well as portfolio analysis and risk management at Fannie Mae (U.S.). He received a Bachelor degree in Accounting from National Taiwan University in 1997 and was awarded a Master degree in Business Administration in Finance from University of Illinois – Urbana Champaign in 2004. Mr. Ouyang is a CFA charter holder and a Certified Public Accountant registered in Illinois of the U.S.

Alex A. REEVES, aged 52, is Vice President of Sales and Merchandising for Craftmaster Furniture since joining our Group in July 2008. Previously, Mr. Reeves was Vice President of Sales of Hickory Hill, a division of Norwalk Furniture Corp., for 11 years. Prior to this, he was Chief Operating Officer of Precedent Furniture and earlier a sales representative of Leathercraft. Mr. Reeves has over 23 years of experience in the furniture industry. Mr. Reeves was awarded a Bachelor of Arts degree in Economics from Wake Forest University in 1986.

Kevin MANN, aged 51, is Vice President of Operations of Craftmaster Furniture. Prior to joining Craftmaster Furniture, Mr. Mann was Director of Manufacturing of Clayton Marcus Furniture Inc. and also held positions as Plant Manager and Director of Engineering. Mr. Mann started his career at Bassett Upholstery working as an Engineer. Mr. Mann was awarded a Bachelor of Science degree in Industrial Education Technology from Western Carolina University in 1987.

Roy C. BEARDEN, aged 59, is Vice President of Manufacturing of Craftmaster Furniture. Prior to joining Craftmaster Furniture, Mr. Bearden was General Manager of Jackson Furniture Ind. Inc. and also held positions as Plant Manager with England Home Furnishings, Inc. and Levi Strauss & Company. Mr. Bearden has 16 years of experience in the furniture industry. Mr. Bearden was awarded a Bachelor of Science degree in Business Management from Arkansas State University in 1980.

Willis Gambier (UK) Limited

David A. LANE, aged 52, is Managing Director of Willis Gambier and joined our Group in November 2008. Prior to this, Mr. Lane spent 8 years as Operations Director at Mark Webster Furniture in both manufacturing and outsourcing furniture for the U.K. domestic market. Mr. Lane previously spent 16 years in Martins International, a textile company, in both manufacturing and in key retail account management. Mr. Lane has 25 years' experience in the procurement and supply of products to the U.K. market place.

Shing-Huei LI, also known as Elliott Li, aged 45, is Finance Director of Willis Gambier and has been with our Group since December 2006. Prior to his current position, Mr. Li was previously Vice President and Chief Financial Officer of Legacy Classic Furniture. Prior to joining our Group, Mr. Li held various financial management positions at Guardian Life Insurance and AT&T in the U.S. as well as sales positions at Evergreen Marine in Taiwan. Mr. Li received a Bachelor of Arts degree in International Trade from Fu-Jen Catholic University, Taipei in 1993 and a Master degree in Business Administration from Georgetown University, Washington DC in 1999.

Kevin L STEVENS, aged 53, is Sales Director of Willis Gambier and joined our Group in July 2013. Prior to this, Mr. Stevens spent 3 years as Key account Manager at Westbridge Furniture Designs and helped set up and establish its successful arm supplying mid to top end upholstery to the domestic independent furniture market in the U.K and Ireland. Mr. Stevens had previously spent 3 years as group sales director of Alstons who supplied both upholstery and cabinet furniture to the domestic multiple and independent furniture trade within the U.K and Ireland. Mr. Stevens has 30 years experience within the U.K furniture market on both retail and manufacturing sides of the business.

Lacquer Craft

Yuang-Whang LIAO, also known as Daniel Liao, aged 46, rejoined the Company as Senior Vice President of Finance of the Company in July 2015. Mr. Liao has served as a Non-executive Director of the Company from September 2007 to July 2015. Mr. Liao was the Director of Investor Relations of the Company and Vice-President and Chief Financial Officer of the subsidiaries of the Company from September 2003 to September 2007. Mr. Liao was an Executive Director and Chief Financial Officer of China LotSynergy Holdings Limited from November 2007 to March 2012 and Chief Executive Officer of China Tianyi Holdings Limited from March 2012 to November 2014. Both China LotSynergy Holdings Limited and China Tianyi Holdings Limited are companies listed in Hong Kong. Prior to that, Mr. Liao held the position of Director in the Private Equity of Citibank Hong Kong. Mr. Liao previously held positions ranging from financial officer, risk analyst to Vice-President of Private Equity at Citibank, Taipei. Mr. Liao has more than 20 years of experience in banking, finance and corporate executives. Mr. Liao obtained a Bachelor of Arts degree in Management Science from National Chiao Tung University in 1991 and an M. Phil in Management from Cambridge University in 1999.

Yue-Jane HSIEH, also known as Irene Hsieh, aged 45, is Special Assistant to the Chairman and has been with our Group since June 2002. Ms. Hsieh's areas of responsibility include accounts, company secretarial duties and acting as the special assistant to our Chairman, Mr. Kuo. Prior to becoming Special Assistant to the Chairman, Ms. Hsieh was Accounting Manager at Lacquer Craft (Dongguan) from June 2003 to July 2004. Ms. Hsieh previously worked in investment banking at Sinopac Securities and Yuanta Core Pacific Securities and as an auditor at PricewaterhouseCoopers and Ernst & Young Taiwan. Ms. Hsieh has more than three years of experience in auditing, more than five years of experience in finance and more than twelve years of experience in accounting. Ms. Hsieh obtained a Bachelor of Science degree in Accounting from Tunghai University in June 1993.

COMPANY SECRETARY

Pik Yuk CHENG, also known as Patsy Cheng, aged 58, was appointed the company secretary of our Company on 24 October 2005. Ms. Cheng is a Corporate Services Director of Tricor Services Limited. Prior to joining the Tricor Group in 2000, she was the departmental manager of the corporate secretarial department of Deloitte Touche Tohmatsu, and provided corporate secretarial and share registration services to their clients. Ms. Cheng has worked in the corporate secretarial departments of a number of international accounting firms and has over 30 years of experience in the company secretarial field. She has been providing corporate secretarial support services to many listed clients. Ms. Cheng is a Fellow of The Institute of Chartered Secretaries and Administrators in the U.K. and The Hong Kong Institute of Chartered Secretaries ("HKICS"), and is a holder of the Practitioner's Endorsement of the HKICS. Ms. Cheng graduated from the Hong Kong Polytechnic in 1980.

The Board is committed to maintaining high corporate governance standards. The Company has applied the principles of and confirms that it has complied with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31 December 2015, save for certain deviations from the code provisions which are explained in the relevant paragraphs in this corporate governance report.

BOARD OF DIRECTORS

The Board is responsible for setting the Group's strategic goals, providing leadership to put them into effect, supervising the management of the business, controlling the Group, promoting the success of the Group, setting appropriate policies to manage risks and reporting to shareholders on their stewardship. Matters reserved to the Board for its decision are those affecting the Group's overall strategic policies, financial control, and shareholders.

The Board has delegated the day-to-day responsibilities to the Chief Executive Officers/Presidents of the Group and their teams and specific responsibilities to the Remuneration Committee, Audit Committee and Nomination Committee.

The Chairman of the Board is Mr. Shan Huei KUO. The day-to-day management of the business is delegated to the Chief Executive Officers/Presidents, assisted by the senior management, of the Company's principal subsidiaries. The Chief Executive Officers of Lacquer Craft, Universal Furniture and Craftmaster Furniture are Mr. Shan Huei KUO, Mr. Jeffrey R. SCHEFFER and Mr. Roy R. CALCAGNE respectively. The President of Lacquer Craft, Legacy Classic Kids and Legacy Classic are Mr. Mohamad AMINOZZAKERI, Mr. Earl R. WANG and Mr. Donald A. ESSENBERG respectively.

Though Mr. Shan Huei KUO is the Chairman of the Board and also the Chief Executive Officer of Lacquer Craft, 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. Shan Huei KUO.

The primary role of the Chairman is to provide leadership for the Board. He ensures that all directors are properly briefed on issues arising at board meetings and all directors receive adequate information, which is complete and reliable, in a timely manner and encourages all directors to make a full and active contribution to the Company's affairs.

The primary responsibilities of Chief Executive Officers/Presidents comprise the day-to-day management of the business, the implementation of major strategies and initiatives adopted by the Board, the development and formulation of business plans, budgets, strategies, business and financial objectives for consideration by the Board, and the establishment and maintenance of proper internal controls and systems.

The Board believes that the existing roles between the Chairman and the Chief Executive Officers/Presidents provides the Group with strong leadership, ensures prompt and efficient implementation of decisions and best promotes the interests of shareholders.

As at 31 December 2015, the Board comprised seven directors, including three Executive Directors, namely Mr. Shan Huei KUO (Chairman), Ms. Yi-Mei LIU (Deputy Chairman) and Mr. Mohamad AMINOZZAKERI, one Non-executive Director, namely Mr. Sheng Hsiung PAN and three Independent Non-executive Directors, namely Mr. Ming-Jian KUO, Mr. Siu Ki LAU and Mr. Sui-Yu WU, with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of directors are set out on pages 8 to 10 of this annual report. The list of directors (by category) is also disclosed in all corporate communications issued by the Company.

Mr. Shan Huei KUO and Ms. Yi-Mei LIU, Executive Directors, are husband and wife. Save as herein disclosed, none of the directors or Chief Executive Officers/Presidents are related.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Company has received from each of its Independent Non-executive Directors written annual confirmation of their independence pursuant to the Listing Rules and the Company considers that each of them is independent in accordance with the Listing Rules and unrelated in every aspect including financial, business, or family.

The Company has already arranged for appropriate insurance cover to protect its directors from possible legal action against them.

APPOINTMENT AND RE-ELECTION AND REMOVAL OF DIRECTORS

The procedure and process of appointment, re-election and removal of directors are laid down in the Company's articles of association which provide that all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill casual vacancy shall hold office until the next following general meeting of the Company and for new director appointed as an addition to the Board until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

Each of the Non-executive Directors is engaged on a service contract for a term of three years and shall be subject to retirement by rotation at least once every three years.

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 year ended 31 December 2015.

No incident of non-compliance of the Company's Code by the relevant employees who are likely to possess inside information of the Company was noted by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee, Audit Committee and Nomination Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

COMMITTEES

The Remuneration Committee and the Audit Committee were established on 24 October 2005 and the Nomination Committee was established on 20 March 2012. The terms of reference of the Remuneration Committee, Audit Committee and Nomination Committee are posted on the Company's website (www.samsonholding.com) and the Stock Exchange's website (www.hkexnews.hk). The composition of the Remuneration Committee, Audit Committee and Nomination Committee are as follows:

Remuneration Committee	**Audit Committee**	**Nomination Committee**
Mr. Ming-Jian KUO *(Chairman)*	Mr. Siu Ki LAU *(Chairman)*	Mr. Shan Huei KUO *(Chairman)*
Mr. Sheng Hsiung PAN	Mr. Sheng Hsiung PAN	Mr. Ming-Jian KUO
Mr. Sui-Yu WU	Mr. Sui-Yu WU	Mr. Sui-Yu WU

Remuneration Committee

The Remuneration Committee is primarily responsible for making recommendations to the Board on the Company's policy and structure for all remuneration packages of all directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration. It reviews and makes recommendation to the Board on the remuneration packages of all directors (including Executive Directors) and senior management with reference to corporate goals and objectives resolved by the Board from time to time.

One Remuneration Committee meeting was held during the year to review the remuneration policy and structure for all directors and senior management of the Group.

Audit Committee

The Audit Committee is primarily responsible for monitoring integrity of financial statements, annual reports and accounts, half-year reports and reviewing significant financial reporting judgments and the Group's financial controls, internal control and risk management systems and overseeing the relationship with the external auditors, including making recommendations to the Board on the appointment, reappointment and removal of the external auditors and approving the remuneration and terms of engagement of the external auditors as well as reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee members have substantial experience in management, corporate finance, financial advisory and management, accounting and auditing.

During the year, the Audit Committee met twice to discharge its responsibilities and review and discuss the interim and annual financial results and approve the remuneration and terms of engagement of the external auditors. In addition, the Audit Committee has reviewed and was satisfied with the effectiveness of the Group's internal controls system. The Audit Committee also met once with the external auditors in the absence of the Company's management to discuss matters arising from the annual audit for year 2014.

Nomination Committee

The Nomination Committee is responsible for making recommendations to the Board for consideration and approval on nominations, appointment of Directors and Board succession, with a view to appoint to the Board individuals with the relevant experience and capabilities to maintain and improve competitiveness of the Company. The Nomination Committee formulates the policy, review the size, structure and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and assess the independence of the Independent Non-executive Directors in accordance with the criteria prescribed under the Listing Rules.

The Board has adopted a Board Diversity Policy which sets out a number of aspects of Board diversity, including talents, skills, regional and industry experiences, background, gender, age, and other qualities of the Board to determine the optimum and balanced composition of an effective Board.

The Nomination Committee reviews and assesses the Board composition and makes recommendations to the Board on appointment of new directors of the Company. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board.

The Nomination Committee would consider the benefits of all aspects of diversity set out in the Board Diversity Policy in reviewing and assessing the composition of the Board and also consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board in recommending candidates for appointment to the Board.

The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity Policy.

One Nomination Committee meeting was held in 2015 to review the independence of the Independent Non-executive Directors and consider the qualifications of the retiring directors standing for re-election at the annual general meeting as well as review the structure, size and composition and effectiveness of the Board and the committees and the implementation and effectiveness of the Board Diversity Policy.

INTERNAL CONTROLS

The Audit Committee has full access to the Executive Directors and the senior management for any information relating to the Company's financial performance, financial reporting system, internal control system and risk management system to facilitate the process of making appropriate recommendations and proposals. The Board has reviewed, through the Audit Committee, the Group's internal control system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget and was satisfied with its effectiveness.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's Code, and the Company's compliance with the CG Code and disclosure in the corporate governance report. The Board is also satisfied that the directors have contributed sufficient time in performance of their responsibilities as directors of the Company.

AUDITORS' REMUNERATION

During the year, the remuneration paid to the external auditors of the Group in respect of audit services and non-audit services amounted to approximately US$592,000 and US$209,000 respectively. The non-audit services mainly consist of professional advisory on taxation (US$104,000) and review of interim financial information (US$105,000).

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The following meetings of the Company were held during the year:

	Number of meetings held
Board	4
Audit Committee	2
Remuneration Committee	1
Nomination Committee	1
Annual General Meeting	1

Individual attendance of each director is as follows:

	No. of meetings attended/held during the tenure of directorship				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Mr. Shan Huei KUO *(Chairman)*	4/4	N/A	N/A	1/1	1/1
Ms. Yi-Mei LIU *(Deputy Chairman)*	4/4	N/A	N/A	N/A	1/1
Mr. Mohamad AMINOZZAKERI	2/4	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Sheng Hsiung PAN	4/4	2/2	1/1	N/A	1/1
Mr. Yuang-Whang LIAO (resigned on 10 July 2015)	2/2	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Ming-Jian KUO	2/4	N/A	1/1	1/1	0/1
Mr. Siu Ki LAU	4/4	2/2	N/A	N/A	1/1
Mr. Sui-Yu WU	4/4	2/2	1/1	1/1	0/1

Only two regular Board meetings were held during the year as the Company is not required under the Listing Rules to announce its quarterly results.

Apart from regular Board meetings, two other Board meetings and a meeting between the Chairman of the Board and the Non-executive Directors (including Independent Non-executive Directors) of the Company were held during the year.

CONTINUING PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure the he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

All Directors are encouraged to participate on continuous professional development to develop and refresh their knowledge and skills. The Company has continuously provided relevant training materials to all the Directors. All Directors participated in courses relating to roles, functions and duties of a listed company director or further enhancement of their professional development by the way of attending training courses or reading relevant materials. All Directors have provided the Company their training records for the year under review.

PRACTICES AND CONDUCT OF MEETINGS

Notice of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

For regular Board meetings and committee meetings, the Board has used its best endeavour to send Board papers together with all appropriate information to all directors at least 3 days before the regular Board meetings or committee meetings to keep the directors apprised of the latest developments and financial positions of the Company and to enable them to make informed decisions.

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such director or any of his associates has a material interest and this provision has always been complied with.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditor about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditors' Report on pages 29 and 30.

COMPANY SECRETARY

Ms. Pik Yuk CHENG, Patsy of Tricor Services Limited, external service provider, has been engaged as the Company Secretary of the Company. Its primary contact person at the Company is Ms. Yue-Jane Hsieh, Irene, assistant to the Chairman of the Company.

SHAREHOLDERS' RIGHTS

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for demanding a poll has been included in circulars accompanying notice convening a general meeting and such procedure has been read out by the chairman of the general meeting.

To safeguard the interests and rights of shareholders, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions proposed at the shareholders' meetings are voted by poll pursuant to the Listing Rules. The poll results are also posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.samsonholding.com) immediately after the relevant shareholders' meetings.

Putting Forward Proposals at General Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its shareholders. The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s).

There are no provisions in the Company's articles of association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the below paragraph.

As regards proposing a person for election as a director of the Company, please refer to the procedures posted on the Company's website (www.samsonholding.com).

Convening an Extraordinary General Meeting by Shareholders

Pursuant to article 79 of the Company's articles of association, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event that the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Enquiries to the Board

The Company has disclosed all necessary information to the shareholders in compliance with Listing Rules. Updated and key information of the Group is also available on the Company's website (www.samsonholding.com). The Company also replies the enquiries from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Jian She Road, Jin Ju Village, Daling Shan Town
Dongguan City, Guangdong Province, China, 523830
(For the attention of the Chief Investor Relations Officer)

Email: investors@lacquercraft.com

Articles of Association

During the year, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is available on the Company's website (www.samsonholding.com) and the Stock Exchange's website (www.hkexnews.hk).

The directors present the report of directors and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out on pages 38 to 39.

BUSINESS REVIEW AND OUTLOOK

A review of the business and the likely future development of the Group as well as an analysis of the Group's performance for the year ended 31 December 2015 are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on the respective pages 4 to 5 and pages 6 to 7 of this annual report which constitute part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 31 of this annual report.

An interim dividend of RMB0.05 per share, amounting to approximately RMB152,180,000 (equivalent to approximately US$24,485,000), was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of RMB0.05 per share, amounting to approximately RMB152,180,000 (equivalent to approximately US$23,412,000 [Note]) to the shareholders of the Company whose names appear on the Company's register of members on 8 June 2016, subject to the approval of the shareholders at the forthcoming annual general meeting.

Note: exchange rate: US$1 to RMB6.5 (for reference only)

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent in the furniture business industry and some are from external sources. Major risks are summarised below.

(i) The primary market for sales of our products is the U.S. and a decrease in demand for residential furniture in the U.S. could adversely affect our results of operations. Our core business is in the residential furniture in the U.S., therefore change in the industry will affect the business significantly.

(ii) The residential furniture industry is subject to fashion trends and consumer tastes, which can change rapidly.

Failure to anticipate or respond to changes in consumer tastes and fashion trends in a timely manner could result in a decrease in future sales and profits.

(iii) We compete not only with U.S. furniture companies, but also importers who source furniture from the Southeast Asia. Areas of competition include product designs, production costs, marketing programs, customer services. If we do not respond timely to our competitors, our costs may increase or the consumer demand for our products may decline and so as our revenue and profits.

(iv) The risk exists that negative macroeconomic changes, mainly in the U.S., United Kingdom, and China may result in negative changes in the business environment. Slower consumer spending may result in reduced demand for our products, reduced orders from our distributors, order cancellations, higher discounts, increased inventories, lower revenue and margins. In addition, the book of accounts of the Company is prepared in U.S. Dollars, therefore changes in other currencies will also affect the revenue recognised, as well as margins and other income, etc.

(v) Majority of our products are manufactured by our own manufacturing plants located in China. Upholstery are primarily from our operations in the U.S. Disruption in the supply of raw materials and some key components, skilled labour may cause problems in our supply chain. We have developed long-standing relationships with a number of our suppliers so as to minimise the impact from any supply disruptions and ensure that we can locate alternative suppliers of comparable quality at a reasonable price with limited impact.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

We are committed to building an environmentally-friendly corporation that pays close attention to conserve natural resources. We strive to reduce our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also require factories of our OEM and suppliers to promote the green concept, and to operate in compliance with the relevant environmental regulations and rules.

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. Our establishment and according operations shall comply with the relevant laws and regulations in the U.S., United Kingdom, mainland China and Hong Kong. During the year ended 31 December 2015 and up to the date of this report, we have complied with all the relevant laws and regulations in the above-mentioned jurisdictions.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

(i) Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees.

The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides pre-employment and on-the-job training and development opportunities to our staff members. The training programs cover areas such as managerial skills, sales and production, customer services, quality control, sales fairs planning, workplace ethics as well as training of other areas relevant to the industry.

In addition, the Group offers competitive remuneration packages to our employees. The Group has also adopted a share option scheme expired in November 2015 to recognise and reward the contribution of the employees to the growth and development of the Group.

(ii) We have developed long-standing relationships with a number of our suppliers and take great care to ensure that they share our commitment to quality and ethics. We carefully select our suppliers of manufacturing and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness. We also require our OEM to comply with our anti-bribery policy.

(iii) We are committed to offer a broad and diverse range of inspiring, value-for-money, good-quality fashion with our various brands to our customers.

FIVE YEARS OF FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 92 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2015, the Company's reserves available for distribution to shareholders were as follows:

	2015	2014
	US$'000	*US$'000*
Share premium	**185,388**	185,388
Contributed surplus	**80,186**	80,186
Retained profits	**1,166**	848
	266,740	266,422

Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 13 and 14 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

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

Non-executive Directors

Mr. Sheng Hsiung PAN
Mr. Yuang-Whang LIAO (resigned on 10 July 2015)

Independent Non-executive Directors

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

In accordance with the provisions of the Company's articles of association (the "Articles"), Messrs. Mohamad AMINOZZAKERI, Sheng Hsiung PAN and Ming-Jian KUO will retire by rotation pursuant to article 130 of the Articles at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election thereat.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 December 2015.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 24 October 2005 (the "Share Option Scheme"), details of which are set out in note 29 to the consolidated financial statements. The Share Option Scheme expired on 16 November 2015.

Details of the movement of the Company's share options during the year and at the end of the reporting period were as follows:

	Date of grant	Exercise price HK$	Vesting date	Exercise period	Number of share options: Outstanding as at 1.1.2015	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31.12.2015
Director:										
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	83,333	–	–	–	(83,333)	–
			6.2.2008	6.2.2008 – 16.11.2015	83,333	–	–	–	(83,333)	–
			6.2.2009	6.2.2009 – 16.11.2015	83,334	–	–	–	(83,334)	–
					250,000	–	–	–	(250,000)	–
Other employees:										
In aggregate	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	1,115,351	–	–	–	(1,115,351)	–
			6.2.2008	6.2.2008 – 16.11.2015	1,115,351	–	–	–	(1,115,351)	–
			6.2.2009	6.2.2009 – 16.11.2015	1,115,350	–	–	–	(1,115,350)	–
	29.12.2008	0.87	15.12.2009	15.12.2009 – 16.11.2015	1,500,000	–	–	–	(1,500,000)	–
			15.12.2010	15.12.2010 – 16.11.2015	1,500,000	–	–	–	(1,500,000)	–
			15.12.2011	15.12.2011 – 16.11.2015	1,500,000	–	–	–	(1,500,000)	–
			15.12.2012	15.12.2012 – 16.11.2015	1,500,000	–	–	–	(1,500,000)	–
			15.12.2013	15.12.2013 – 16.11.2015	1,500,000	–	–	–	(1,500,000)	–
					10,846,052	–	–	–	(10,846,052)	–
Total					11,096,052	–	–	–	(11,096,052)	–

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests or short positions of the directors and their associates 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	Percentage of the issued share capital of the Company
Mr. Shan Huei KUO	Held by controlled corporations (Note)	2,146,346,773	70.52%
Ms. Yi-Mei LIU	Held by controlled corporations (Note)	2,146,346,773	70.52%

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

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

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2015.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2015, the interests or short positions 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	Percentage of the issued share capital of the Company
Magnificent Capital Holding Limited	Held by a controlled corporation	2,146,346,773	70.52%
Advent Group Limited ("Advent")	Beneficial owner	2,146,346,773	70.52%

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

CONNECTED TRANSACTIONS

During the year, the Group paid rental charge to Samson Global Co., Ltd. which is wholly-owned by Mr. Shan Huei KUO and Ms. Yi-Mei LIU. These related party transactions are regarded as continuing connected transactions and qualified as a “de minimis transaction” pursuant to Chapter 14A of the Listing Rules. The details of these transactions are set out in note 34 to the consolidated financial statements.

Other than as disclosed above, there were no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, entered into or subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group’s largest and five largest customers and suppliers, respectively, were as follows:

– the largest customer	10%
– five largest customers	21%
– the largest supplier	6%
– five largest suppliers	20%

During the year, none of the directors, their close associates nor any shareholders of the Company, which to the knowledge of the directors, owned more than 5% of the number of the Company’s issued shares had an interest in any of the Group’s five largest customers or suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year and up to the date of this report.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately US$110,684.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year.

The Company has arranged for appropriate insurance cover to protect its directors from possible legal actions against them.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events affecting the Company that have occurred since the end of the year.

AUDITORS

Ernst & Young were appointed as auditors by the directors of the Company to fill the casual vacancy left by the resignation of Deloitte Touche Tohmatsu during the year 2013. A resolution for the re-appointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Shan Huei KUO
Chairman

23 March 2016

EY 安永

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TO THE SHAREHOLDERS OF SAMSON HOLDING LTD.
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Samson Holding Ltd. (the "Company") and its subsidiaries set out on pages 31 to 91, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

TO THE SHAREHOLDERS OF SAMSON HOLDING LTD. (continued)
(Incorporated in the Cayman Islands with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 US$'000	2014 US$'000
REVENUE	5	**435,146**	415,799
Cost of sales		**(316,179)**	(302,116)
Gross profit		**118,967**	113,683
Other income, gains, losses and expenses		**(8,272)**	6,923
Distribution costs		**(21,916)**	(20,245)
Sales and marketing expenses		**(42,116)**	(39,984)
Administrative expenses		**(36,082)**	(34,883)
Finance costs	7	**(3,526)**	(3,283)
PROFIT BEFORE TAX	6	**7,055**	22,211
Income tax expense	10	**(4,214)**	(4,715)
PROFIT FOR THE YEAR		**2,841**	17,496
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
– Basic (in US cents)		**0.09**	0.57
– Diluted (in US cents)		**0.09**	0.57

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 *US$'000*	2014 *US$'000*
PROFIT FOR THE YEAR	**2,841**	17,496
OTHER COMPREHENSIVE LOSS:		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(14,220)**	(2,835)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(14,220)**	(2,835)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(11,379)**	14,661

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 US$'000	2014 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**119,852**	127,786
Investment properties	14	**8,374**	8,602
Prepaid land lease payments – non-current portion	15	**9,808**	10,785
Goodwill	16	**11,475**	11,475
Other intangible assets	17	**1,669**	1,669
Cash surrender value of life insurance	18	**541**	789
Deferred tax assets	27	**4,353**	4,895
Total non-current assets		**156,072**	166,001
CURRENT ASSETS			
Inventories	19	**121,924**	113,554
Trade and other receivables	20	**98,877**	102,860
Prepaid land lease payments – current portion	15	**299**	320
Held-for-trading investments	21	**113,161**	144,129
Derivative financial instruments	22	**152**	68
Pledged bank deposits	23	**7,737**	6,863
Short term bank deposits	23	**30,946**	85,211
Cash and cash equivalents	23	**95,898**	156,491
Total current assets		**468,994**	609,496
CURRENT LIABILITIES			
Trade and other payables	24	**52,641**	55,246
Tax payable		**6,231**	7,020
Derivative financial instruments	22	**22,221**	11,997
Interest-bearing bank borrowings	25	**106,344**	203,907
Total current liabilities		**187,437**	278,170
NET CURRENT ASSETS		**281,557**	331,326
TOTAL ASSETS LESS CURRENT LIABILITIES		**437,629**	497,327

Continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 US$'000	2014 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**437,629**	497,327
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*25*	**4,597**	5,024
Deferred compensation	*26*	**837**	757
Deferred tax liabilities	*27*	**3,049**	2,978
Total non-current liabilities		**8,483**	8,759
Net assets		**429,146**	488,568
EQUITY			
Issued capital	*28*	**152,180**	152,180
Reserves	*30*	**276,966**	336,388
Total equity		**429,146**	488,568

Shan Huei KUO
Director

Yi-Mei LIU
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Notes	Issued capital US$'000 (note 28)	Share premium US$'000	Capital redemption reserve US$'000	Share option reserve US$'000 (note 29)	Merger reserve US$'000 (note 30)	Statutory reserve US$'000 (note 30)	Exchange reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2014		152,180	185,388	1,012	648	1,581	1,174	58,800	120,239	521,022
Profit for the year		–	–	–	–	–	–	–	17,496	17,496
Other comprehensive loss for the year:										
Exchange differences arising on translation of foreign operations		–	–	–	–	–	–	(2,835)	–	(2,835)
Total comprehensive income for the year		–	–	–	–	–	–	(2,835)	17,496	14,661
Dividend recognised as distribution	11	–	–	–	–	–	–	–	(47,115)	(47,115)
At 31 December 2014 and 1 January 2015		152,180	185,388	1,012	648	1,581	1,174	55,965	90,620	488,568
Profit for the year		–	–	–	–	–	–	–	2,841	2,841
Other comprehensive loss for the year:										
Exchange differences arising on translation of foreign operations		–	–	–	–	–	–	(14,220)	–	(14,220)
Total comprehensive loss for the year		–	–	–	–	–	–	(14,220)	2,841	(11,379)
Dividend recognised as distribution	11	–	–	–	–	–	–	–	(48,043)	(48,043)
Transfer of share option reserve upon the expiry of share options		–	–	–	(648)	–	–	–	648	–
At 31 December 2015		152,180	185,388*	1,012*	–*	1,581*	1,174*	41,745*	46,066*	429,146

* These reserve accounts comprise the consolidated reserves of US$276,966,000 (2014: US$336,388,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 US$'000	2014 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**7,055**	22,211
Adjustments for:			
Provision for inventories	6	**144**	1,037
Reversal of inventories provision	6	**(2,822)**	(866)
Depreciation of investment properties	6	**228**	229
Depreciation of items of property, plant and equipment	6	**12,298**	12,312
Net loss on derivative financial instruments	6	**13,122**	3,780
Net gain on held-for-trading investments	6	**(6,378)**	(6,294)
Loss on disposal of items of property, plant and equipment	6	**607**	176
Impairment of trade receivables	6	**1,226**	508
Interest expense	7	**3,526**	3,283
Interest income	6	**(8,017)**	(6,863)
Amortisation of prepaid land lease payments	6	**308**	320
		21,297	29,833
Increase in inventories		**(5,755)**	(11,427)
Decrease/(increase) in trade and other receivables		**2,762**	(14,851)
(Decrease)/increase in trade and other payables		**(2,605)**	7,136
Decrease in held-for-trading investments		**30,526**	32,788
(Increase)/decrease in derivative financial instruments		**(2,982)**	6,301
Decrease in cash surrender value		**248**	506
Increase/(decrease) in deferred compensation		**80**	(538)
Cash generated from operations		**43,571**	49,748
PRC income tax paid		**(459)**	(746)
Overseas tax paid		**(3,639)**	(4,966)
Net cash flows from operating activities		**39,473**	44,036

Continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 US$'000	2014 US$'000
Net cash flows from operating activities		**39,473**	44,036
CASH FLOWS FROM INVESTING ACTIVITIES			
Release of short term bank deposits		**556,001**	353,991
Placement of short term bank deposits		**(501,736)**	(406,681)
Interest received	6	**8,017**	6,863
Proceeds from disposal of items of property, plant and equipment		**1,114**	22
(Increase)/decrease in pledged bank deposits		**(874)**	4,009
Purchase of items of property, plant and equipment		**(10,943)**	(13,646)
Net cash flows from/(used in) investing activities		**51,579**	(55,442)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**172,764**	245,742
Repayment of bank loans		**(270,754)**	(136,880)
Dividends paid		**(48,043)**	(47,115)
Interest paid	7	**(3,526)**	(3,283)
Net cash flows (used in)/from financing activities		**(149,559)**	58,464
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(58,507)**	47,058
Cash and cash equivalents at the beginning of year		**156,491**	109,941
Effect of foreign exchange rate changes		**(2,086)**	(508)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	23	**95,898**	156,491

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal place of business of the Company is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

During the year, the Group was involved in the following principal activities:

- manufacturing and sale of furniture
- trading of furniture and procurement services
- investment holding

In the opinion of the directors, the Company's immediate holding company is Advent Group Limited, which is incorporated in the British Virgin Islands ("BVI") and its ultimate holding company is Magnificent Capital Holding Limited, which is also incorporated in the BVI.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Craftmaster Furniture, Inc.	United States ("U.S.")	US$0.01	–	100	Manufacturing and sale of furniture
Lacquer Craft Hospitality, Inc.	U.S.	US$1,000	–	100	Marketing and sale of furniture
Lacquer Craft Manufacturing Co., Ltd. (Dongguan) ("LCDG")*	People's Republic of China ("PRC")	HK$497,340,000	–	100	Manufacturing and sale of furniture
Lacquer Craft Manufacturing Co., Ltd. (Zhejiang) ("LCZJ")*	PRC	US$80,000,000	–	100	Manufacturing and sale of furniture
Dongguan Huanhua Home Furniture Co., Ltd. ("DHH")*	PRC	RMB2,000,000	–	100	Trading of furniture
Legacy Classic Furniture, Inc.	U.S.	US$4,450,000	–	100	Marketing and sale of furniture

Continued/...

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Samson International Enterprises Limited	BVI/Taiwan	US$50,000	–	100	Trading of furniture and procurement services
Samson Investment Holding Co.	U.S.	US$0.10	–	100	Investment holding
Universal Furniture International, Inc.	U.S.	US$0.35	–	100	Marketing and sale of furniture
Willis Gambier (UK) Limited	United Kingdom ("U.K.")	£1	–	100	Trading of furniture
Trendex Furniture Ind. Co., Ltd	Bangladesh	Bangladesh taka 400,000	–	100	Manufacturing and sale of furniture
PT Lacquercraft Industry Indonesia	Indonesia	Indonesia rupiah 22,507,500,000	–	100	Manufacturing and sale of furniture

* LCDG, LCZJ and DHH are registered as wholly-foreign-owned enterprises under PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for held-for-trading investments, derivative financial instruments, cash surrender value of life insurance and deferred compensation which have been measured at fair value. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle	
Annual Improvements to HKFRSs 2011-2013 Cycle	

The adoption of the revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10 HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

4 No mandatory effective date yet determined

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments, held-for-trading investments, cash surrender value of life insurance and deferred compensation at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	2.5% to 5%
Plant and machinery	10%
Leasehold improvements	Over the shorter of the lease terms and 10%
Motor vehicles	20%
Furniture, fixtures and equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Depreciation is calculated on the straight-line basis at 2.5% per annum to write off the cost of investment properties over their estimated useful lives.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, and loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income, gains, losses and expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income, gains, losses and expenses in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost *(continued)*

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group has derivative financial instruments, such as foreign currency forward contracts and foreign currency options. The Group's derivative financial instruments are neither designated nor qualified as hedging instruments. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of reporting period, with the resulting gain or loss recognised in the statement of profit or loss immediately. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when services are provided;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 24 October 2005 is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain specific percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Company's subsidiaries in the U.S. and U.K. have established defined contribution retirement plans for their eligible employees in the U.S. and the U.K. respectively. The assets of the plans are held separately from those of the Group, in funds under the control of trustees.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in United States dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the United States dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into United States dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into United States dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into United States dollars at the exchange rates ruling at the dates of the cash flows. Frequently receiving cash flows of overseas subsidiaries which arise throughout the year are translated into United States dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was US$11,475,000 (2014: US$11,475,000). Further details are set out in note 16.

4. OPERATING SEGMENT INFORMATION

The Group's revenue arises principally from the manufacturing and sale of residential furniture.

For the purpose 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$54,935,000 (2014: US$53,454,000) represents the profit before tax earned by the single reportable segment excluding administrative expenses, other income, gains, losses and expenses and finance costs.

Other segment information

Amounts regularly provided to the executive directors but not included in the measure of segment profits are as follows:

	Reportable segment total *US$'000*	Unallocated *US$'000*	Total *US$'000*
2015			
Depreciation of property, plant and equipment	**11,175**	**1,123**	**12,298**
Reversal of inventories provision, net	**(2,678)**	**–**	**(2,678)**
2014			
Depreciation of property, plant and equipment	11,148	1,164	12,312
Provision of inventories, net	171	–	171

The unallocated depreciation of property, plant and equipment is in connection with corporate headquarters' property, plant and equipment, which are not included in segment information.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in the People's Republic of China (the "PRC"), the United Kingdom (the "U.K."), the United States of America (the "U.S."), and Bangladesh.

The Group's revenue from external customers by their geographical location, and information about its non-current assets by geographical location, are detailed below:

	Revenue from external customers Year ended 31 December		Non-current assets (Note) As at 31 December	
	2015	2014	**2015**	2014
	US$'000	*US$'000*	***US$'000***	*US$'000*
PRC, including Hong Kong	**12,989**	14,219	**78,327**	86,084
U.K.	**21,714**	24,442	**194**	892
U.S.	**397,333**	373,085	**56,080**	54,620
Bangladesh	**–**	–	**6,177**	7,549
Others	**3,110**	4,053	**10,400**	11,172
	435,146	415,799	**151,178**	160,317

Note: Non-current assets excluded the cash surrender value of life insurance and deferred tax assets.

Information about a major customer

Revenue from continuing operations of approximately US$44,878,000 (2014: US$50,447,000) was derived from sales to one single customer.

5. REVENUE

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

6. PROFIT BEFORE TAX

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

	Notes	2015 US$'000	2014 US$'000
Staff costs		**100,259**	87,937
Retirement benefit scheme contributions		**2,408**	2,251
Total staff costs including directors' remuneration *(note 8)*		**102,667**	90,188
Provision for inventories		**144**	1,037
Reversal of inventories provision		**(2,822)**	(866)
Auditors' remuneration		**801**	665
Cost of inventories sold		**316,179**	302,116
Depreciation of investment properties	*14*	**228**	229
Depreciation of items of property, plant and equipment	*13*	**12,298**	12,312
Amortisation of prepaid land lease payments	*15*	**308**	320
Impairment of trade receivables	*20*	**1,226**	508
Loss on disposal of items of property, plant and equipment*		**607**	176
Minimum lease payments under operating leases		**2,777**	3,460
Net loss on derivative financial instruments*		**13,122**	3,780
Foreign exchange differences, net*		**12,473**	7,362
Net gain on held-for-trading investments*		**(6,378)**	(6,294)
Bank interest income*		**(8,017)**	(6,863)
Rental income from leases*		**(1,256)**	(1,342)
Service income from provision of logistics arrangement services		**(192)**	(107)

* These items are included in "Other income, gains, losses and expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 US$'000	2014 US$'000
Interest on bank loans	**3,526**	3,283

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015	2014
	US$'000	*US$'000*
Fees	**209**	223
Other emoluments:		
Salaries, allowances and benefits in kind	**1,766**	1,753
	1,975	1,976

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015	2014
	US$'000	*US$'000*
Ming-Jian KUO	**31**	31
Siu Ki LAU	**31**	31
Sui-Yu WU	**31**	31
	93	93

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees *US$'000*	Salaries, allowances and benefits in kind *US$'000*	Total remuneration *US$'000*
2015			
Executive directors:			
Shan Huei KUO	**31**	**828**	**859**
Yi-Mei LIU	**31**	**588**	**619**
Mohamad AMINOZZAKERI	**31**	**350**	**381**
	93	**1,766**	**1,859**
Non-executive directors:			
Sheng Hsiung PAN	**15**	**–**	**15**
Yuang-Whang LIAO (resigned on 10 July 2015)	**8**	**–**	**8**
	116	**1,766**	**1,882**
2014			
Executive directors:			
Shan Huei KUO	31	827	858
Yi-Mei LIU	31	587	618
Mohamad AMINOZZAKERI	31	339	370
	93	1,753	1,846
Non-executive directors:			
Sheng Hsiung PAN	15	–	15
Yuang-Whang LIAO	15	–	15
Kevin O'Connor (appointed on 24 March 2014 and resigned on 26 August 2014)	7	–	7
	130	1,753	1,883

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

There were no performance related bonuses, equity-settled share option expense and pension scheme contributions paid to the executive directors and non-executive directors during the year (2014: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2014: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2014: two) highest paid employees who are not directors of the Group are as follows:

	2015	2014
	US$'000	*US$'000*
Salaries, allowances and benefits in kind	**1,077**	1,030
Retirement benefit scheme contributions	**9**	8
	1,086	1,038

The number of non-director and highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
HK$3,000,001 to HK$3,500,000 (approximately US$387,001 to US$452,000)	**–**	1
HK$3,500,001 to HK$4,000,000 (approximately US$452,001 to US$516,000)	**1**	–
HK$4,000,001 to HK$4,500,000 (approximately US$516,001 to US$581,000)	**–**	–
HK$4,500,001 to HK$5,000,000 (approximately US$581,001 to US$645,000)	**1**	1
	2	2

In prior years, share options were granted to one of the non-director highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and highest paid employees' remuneration disclosures.

10. INCOME TAX

For the Group's subsidiaries established in the U.S., income tax is calculated at the rate of 34% (2014: 34%).

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2015	2014
	US$'000	*US$'000*
Current tax:		
U.S.	**2,940**	3,311
Elsewhere	**670**	1,994
	3,610	5,305
Deferred tax *(note 27)*	**604**	(590)
	4,214	4,715

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2015		2014	
	US$'000	**%**	*US$'000*	%
Profit before taxation	**7,055**		22,211	
Taxation at the U.S. federal income tax rate of 34%	**2,399**	**34.0**	7,552	34.0
U.S. state income tax at other rates	**332**	**4.7**	443	2.0
Tax effect of expenses not deductible for tax purpose	**581**	**8.2**	2,748	12.4
Tax effect of income not taxable	**(3,283)**	**(46.5)**	(3,903)	(17.6)
Tax effect of tax losses not recognised	**4,172**	**59.1**	919	4.1
Utilisation of tax losses previously not recognised	**–**	**–**	(475)	(2.1)
Effect of loss/(profits) in subsidiaries operating in other jurisdictions	**13**	**0.2**	(2,569)	(11.6)
Tax charge at the Group's effective rate	**4,214**	**59.7**	4,715	21.2

Details of the deferred taxation are set out in note 27.

11. DIVIDENDS

	2015 US$'000	2014 US$'000
Interim – RMB0.05 (2014: HK$0.06) per share	**24,485**	23,557
Final – HK$0.06 per share for 2014 (2014: HK$0.06 per share for 2013)	**23,558**	23,558
	48,043	47,115

Final dividend of RMB0.05 per share amounting to approximately RMB152.2 million in respect of the year ended 31 December 2015 (2014: HK$0.06 per share amounting to approximately HK$182.6 million) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

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

The calculations of the basic and diluted earnings per share for the year are based on:

	2015 US$'000	2014 US$'000
Profit for the year and earnings for the purpose of basic and diluted earnings per share	**2,841**	17,496

	2015 Number of shares	2014 Number of shares
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,043,609,773**	3,043,609,773
Effect of dilutive potential ordinary shares: Share options	**1,060,160**	1,123,060
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**3,044,669,933**	3,044,732,833

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land* US$'000	Buildings US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Furniture, fixture and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost:								
At 1 January 2014	7,619	112,399	102,543	11,825	2,323	41,892	1,477	280,078
Exchange realignment	(233)	(1,204)	(1,072)	(121)	(33)	(334)	10	(2,987)
Additions	5,429	1,170	2,098	726	156	342	3,724	13,645
Transfer from deposits paid for purchase of properties	–	4,141	–	–	–	–	–	4,141
Transfers	–	700	–	–	–	–	(700)	–
Reclassification	–	–	109	–	(108)	(1)	–	–
Disposals	–	(95)	(1,292)	–	(41)	(480)	–	(1,908)
At 31 December 2014 and 1 January 2015	12,815	117,111	102,386	12,430	2,297	41,419	4,511	292,969
Exchange realignment	(211)	(5,049)	(5,540)	(767)	(90)	(1,536)	(111)	(13,304)
Additions	–	2,749	1,922	1,672	219	1,167	3,214	10,943
Transfers	–	4,339	–	–	–	421	(4,760)	–
Disposals	–	(962)	(3,913)	–	(234)	(4,568)	(30)	(9,707)
At 31 December 2015	**12,604**	**118,188**	**94,855**	**13,335**	**2,192**	**36,903**	**2,824**	**280,901**
Accumulated depreciation:								
At 1 January 2014	–	37,247	75,008	8,134	1,792	33,917	–	156,098
Exchange realignment	–	(350)	(767)	(82)	(37)	(280)	–	(1,516)
Depreciation provided for the year	–	5,147	5,392	673	142	958	–	12,312
Reclassification	–	–	67	–	(66)	(1)	–	–
Eliminated on disposals	–	(95)	(1,125)	–	(38)	(453)	–	(1,711)
At 31 December 2014 and 1 January 2015	–	41,949	78,575	8,725	1,793	34,141	–	165,183
Exchange realignment	–	(2,117)	(4,429)	(526)	(73)	(1,301)	–	(8,446)
Depreciation provided for the year	–	6,037	4,387	696	161	1,017	–	12,298
Eliminated on disposals	–	(497)	(3,067)	–	(221)	(4,201)	–	(7,986)
At 31 December 2015	–	45,372	75,466	8,895	1,660	29,656	–	161,049
Net carrying amount:								
At 31 December 2015	**12,604**	**72,816**	**19,389**	**4,440**	**532**	**7,247**	**2,824**	**119,852**
At 31 December 2014	12,815	75,162	23,811	3,705	504	7,278	4,511	127,786

* The freehold land is situated in the U.S..

At 31 December 2015, certain of the Group's property, plant and equipment with a net carrying amount of US$42,768,000 (2014: US$41,454,000) were pledged to banks to secure general banking facilities granted to the Group (note 31).

14. INVESTMENT PROPERTIES

	US$'000
Cost:	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	12,185
Accumulated depreciation:	
At 1 January 2014	3,354
Provided for the year	229
At 31 December 2014 and 1 January 2015	3,583
Provided for the year	228
At 31 December 2015	3,811
Net carrying amount:	
At 31 December 2015	8,374
At 31 December 2014	8,602

The Group's investment properties are commercial properties in the U.S.. They are situated on freehold land and the building elements are depreciated on a straight-line basis at 2.5% per annum.

At 31 December 2015, the Group's investment properties with a net carrying amount of US$8,374,000 (2014: US$8,602,000) were pledged to banks to secure general banking facilities granted to the Group (note 31).

The fair value of the Group's investment properties at 31 December 2015 was US$12,510,000 (31 December 2014: US$12,510,000) as determined by the directors of the Company. No valuation has been performed by any independent qualified professional valuers.

Fair value hierarchy

The fair value measurement hierarchy of the Group's investment properties is as follows:

	2015 ***US$'000***	2014 *US$'000*
Significant unobservable inputs:		
Commercial properties (Level 3)	**12,510**	12,510

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

The investment properties are measured initially at cost less accumulated depreciation and provision for any impairment in value. There was no movement of fair value measurements categorised within Level 3 of the fair value hierarchy during the year.

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs
Commercial properties	Discount cash flow method	Estimated rental value Long term vacancy rate Discount rate

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy costs, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted to arrive at the fair value.

15. PREPAID LAND LEASE PAYMENTS

	2015 ***US$'000***	2014 *US$'000*
Carrying amount at 1 January	**11,105**	11,559
Exchange realignment	**(690)**	(134)
Recognised during the year *(note 6)*	**(308)**	(320)
Carrying amount at 31 December	**10,107**	11,105
Current portion	**(299)**	(320)
Non-current portion	**9,808**	10,785

16. GOODWILL

	US$'000
Cost and carrying amount:	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	11,475

For the purposes of impairment testing, the goodwill with indefinite useful life set out in this note has been allocated to an individual cash generating unit ("CGU"). The carrying amount of the goodwill as at the end of the reporting period allocated to the CGU is as follows:

	2015 ***US$'000***	2014 *US$'000*
Brand A	**11,475**	11,475

During the year, management of the Group determined that there was no impairment of its CGU containing the goodwill with indefinite useful life. The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. Management believes this unit has an indefinite useful life. However, for the purposes of the impairment test, the calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 16% (2014: 18%) with a 7% to 10% (2014: 5%) growth rate. This growth rate is based on the furniture industry growth forecasts in the U.S. and does not exceed the average long term growth rate for the furniture industry. This unit's cash flows beyond the five-year period are extrapolated using a zero growth rate.

Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of the unit.

17. OTHER INTANGIBLE ASSETS

	Trademark US$'000
Cost and carrying amount:	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	1,669

The trademark is considered to have an indefinite legal life because it can be renewed every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademark is considered by management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows in the foreseeable future. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purposes of impairment testing, the trademark with indefinite useful life set out in this note has been allocated to an individual CGU. The carrying amount of the trademark as at the end of the reporting period allocated to the CGU is as follows:

	2015 ***US$'000***	2014 *US$'000*
Brand B	**1,669**	1,669

During the year, management of the Group determined that there was no impairment of its CGU containing the trademark with indefinite useful life. The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. Management believes this unit has an indefinite useful life. However, for the purposes of the impairment test, the calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 16% (2014: 18%) with a 3% (2014: 3%) growth rate. This growth rate is based on the furniture industry growth forecasts in the U.S. and does not exceed the average long term growth rate for the furniture industry. This unit's cash flows beyond the five-year period are extrapolated using a zero growth rate.

Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of the unit.

18. CASH SURRENDER VALUE OF LIFE INSURANCE

The amount under a deferred compensation plan (note 26) has been invested in an insurance policy in accordance with the terms of the deferred compensation plan. The Group is the beneficiary of such investment. The carrying amount represents the cash surrender value of the policy and approximates its fair value at the end of the reporting period.

The fair value of the cash surrender value of life insurance was determined based on the valuation provided by the counterparty financial institution by reference to the quoted price of the underlying units held.

Fair value hierarchy

The fair value measurement hierarchy of the Group's cash surrender value of life insurance is as follows:

	2015	2014
	US$'000	*US$'000*
Significant observable inputs:		
Cash surrender value of life insurance (Level 2)	**541**	789

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

19. INVENTORIES

	2015	2014
	US$'000	*US$'000*
Raw materials	**35,965**	37,459
Work in progress	**12,590**	13,883
Finished goods	**73,369**	62,212
	121,924	113,554

At 31 December 2015, the Group's inventories with a carrying amount of US$32,780,000 (2014: US$29,013,000) were pledged as security for the Group's banking facilities, as further detailed in note 31 to the financial statements.

20. TRADE AND OTHER RECEIVABLES

	2015 US$'000	2014 US$'000
Trade receivables	**78,668**	86,968
Impairment	**(2,248)**	(2,491)
	76,420	84,477
Other receivables and prepayments *(Note)*	**22,457**	18,383
	98,877	102,860

Note: Other receivables and prepayments mainly include advances to suppliers, interest receivables and deposits. None of the other receivables and prepayments is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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

	2015 US$'000	2014 US$'000
Within 1 month	**39,530**	41,514
1 to 2 months	**21,010**	26,289
Over 2 months	**15,880**	16,674
	76,420	84,477

The movements in provision for impairment of trade receivables are as follows:

	2015 US$'000	2014 US$'000
Balance at beginning of the year	**2,491**	2,510
Impairment losses recognised *(note 6)*	**1,226**	508
Amount written off as uncollectible	**(1,469)**	(527)
Balance at end of the year	**2,248**	2,491

20. TRADE AND OTHER RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables with a carrying amount of US$2,248,000 (2014: US$2,491,000).

The individual impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments.

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 US$'000	2014 US$'000
Neither past due nor impaired	60,540	67,803
Less than 3 months past due	15,880	16,674
	76,420	84,477

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

Certain subsidiaries have pledged trade and other receivables of approximately US$63,509,000 (2014: US$73,145,000) to secure general banking facilities granted to the Group (note 31).

21. HELD-FOR-TRADING INVESTMENTS

	2015 US$'000	2014 US$'000
Debt securities, at fair value:		
Listed in the U.S. with fixed interest:		
– 3.00% to 7.63% and maturity from January 2016 to September 2021	15,969	21,213
Listed in Hong Kong with fixed interest:		
– 2.50% to 6.80% and maturity from June 2016 to November 2024	31,862	34,180
Listed in Singapore with fixed interest:		
– 2.50% to 6.13% and maturity from January 2016 to December 2024	25,390	29,044
Listed in the U.K. with fixed interest:		
– 3.45% to 5.70% and maturity from January 2017 to January 2022	4,628	8,892
Listed in other jurisdictions with fixed interest:		
– 2.95% to 5.20% and maturity from February 2016 to June 2025	10,742	25,710
Others	24,570	25,090
	113,161	144,129

The above investments at 31 December 2014 and 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.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Forward currency contracts	110	9,678	16	1,437
Foreign currency option contracts	42	12,543	52	10,560
	152	22,221	68	11,997

The Group has entered into forward currency contracts and foreign currency option contracts which are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair values of non-hedging currency derivatives amounting to US$10,140,000 were charged to the statement of profit or loss during the year (2014: US$10,039,000).

23. CASH AND CASH EQUIVALENTS, SHORT TERM BANK DEPOSITS AND PLEDGED BANK DEPOSITS

	Note	**2015** **US$'000**	2014 US$'000
Cash and bank balances		**134,581**	248,565
Less: Time deposits with maturity more than three months but less than a year		**(30,946)**	(85,211)
		103,635	163,354
Less: Pledged bank deposits:			
Pledged for bank loans	*31*	**(7,737)**	(6,863)
Cash and cash equivalents		**95,898**	156,491

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$86,302,000 (2014: US$164,674,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged bank deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND OTHER PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 **US$'000**	2014 US$'000
Trade payables:		
Within 1 month	**10,764**	15,544
1 to 2 months	**5,136**	3,257
Over 2 months	**4,000**	2,777
	19,900	21,578
Other payables and accruals *(Note)*	**32,741**	33,668
	52,641	55,246

Note: Other payables and accruals mainly included accrued salaries and bonuses, accrued transportation expenses and receipts in advance. The other payables are non-interest-bearing and have no fixed terms of repayment.

The trade payables are non-interest-bearing and are normally settled on 60-day credit terms.

25. INTEREST-BEARING BANK BORROWINGS

	2015			2014		
	Effective interest rate (%)	**Maturity**	***US$'000***	Effective interest rate (%)	Maturity	*US$'000*
Current						
Bank loans – unsecured	**0.88 – 1.22**	**2016**	**106,121**	0.74 – 1.05	2015	203,682
Bank loans – secured	**1.81**	**2016**	**223**	1.88	2015	225
			106,344			203,907
Non-current						
Bank loans – secured	**1.81**	**2034**	**4,597**	1.88	2034	5,024
			4,597			5,024
			110,941			208,931

	2015	2014
	US$'000	*US$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**106,344**	203,907
In the second year	**227**	229
In the third to fifth years, inclusive	**704**	714
Beyond five years	**3,666**	4,081
	110,941	208,931

Notes:

(a) The Group's credit facilities amounting to US$20,000,000 (2014: US$20,000,000), which had not been utilised as at the end of the reporting period, are secured by certain assets of the Group. Details are disclosed in note 31 to the financial statements.

(b) Certain of the Group's bank loans are secured by mortgages over the Group's land and building, which had an aggregate carrying value at the end of the reporting period of approximately US$8,806,000 (2014: US$9,179,000).

(c) All of the unsecured bank loans are denominated in the United States dollars.

26. DEFERRED COMPENSATION

The Group has adopted a deferred compensation plan for a key executive. Under the terms of this plan, the executive may defer a discretionary amount which is payable to the executive upon his retirement, death or termination of service. This amount is invested by the Group in managed investment funds through an insurance company (note 18). The balance was stated at fair value at the end of the reporting period.

The fair value of the deferred compensation was determined based on the valuation provided by the counterparty financial institution by reference to the quoted price of the underlying units held.

Fair value hierarchy

The fair value measurement hierarchy of the Group's deferred compensation is as follows:

	2015	2014
	US$'000	*US$'000*
Significant observable inputs:		
Deferred compensation (Level 2)	**837**	757

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

27. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax liabilities/(assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*
At 1 January 2014	1,896	(3,225)	(1,329)
Exchange differences	2	–	2
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	(168)	(422)	(590)
At 31 December 2014 and at 1 January 2015	1,730	(3,647)	(1,917)
Exchange differences	9	–	9
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	(171)	775	604
At 31 December 2015	1,568	(2,872)	(1,304)

Others represent deferred tax on temporary differences on allowances for trade receivables, inventories and accrued expenses.

27. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax assets and liabilities have not been offset for the purpose of presentation in the consolidated statement of financial position as they relate to different tax authorities. The following is the analysis of the deferred taxation balance for financial reporting purposes:

	2015	2014
	US$'000	*US$'000*
Deferred tax liabilities	**3,049**	2,978
Deferred tax assets	**(4,353)**	(4,895)
	(1,304)	(1,917)

At the end of the reporting period, the Group had unused tax losses of US$32,282,000 (2014: US$21,210,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The unrecognised tax losses comprise an amount of US$25,539,000 (2014: US$16,504,000) that may be carried forward for a period of five years from their respective years of origination. Other losses may be carried forward indefinitely.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled at approximately US$7,530,000 (2014: US$7,197,000) as at 31 December 2015.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. SHARE CAPITAL

Shares

	2015 US$'000	2014 US$'000
Authorised:		
6,000,000,000 ordinary shares of US$0.05 each	**300,000**	300,000
Issued and fully paid:		
3,043,609,773 ordinary shares of US$0.05 each	**152,180**	152,180

No movement in share capital was noted during the year.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

On 24 October 2005, a share option scheme (the "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 "Board"). The purpose of the Share Option Scheme is to attract skilled and experienced personnel, to incentivise them to remain with the Group and 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 Group. The Board may, at its absolute discretion, offer any employee, management member or director of the Group and third party service providers options to subscribe for shares on the terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 17 November 2005, i.e. 276,000,000 shares, representing 9% of the issued share capital of the Company as at the date of expiry of the Share Option Scheme.

The Share Option Scheme does not contain any minimum period for which an option must be held before it can be exercised. However, at the time of grant of the options, the Board may specify any such minimum period up to five years.

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period from the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

An amount of HK$1.00 is payable on acceptance of an option to be granted. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The Share Option Scheme expired on 16 November 2015.

29. SHARE OPTION SCHEME (continued)

Details of the share options granted and outstanding under the Share Option Scheme during the year were as follows:

	Date of grant	Exercise price HK$	Vesting date	Exercise period	Number of share options: Outstanding as at 1.1.2014	Forfeited during the year	Outstanding as at 31.12.2014	Expired during the year	Outstanding as at 31.12.2015
Director:									
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.20	6.2.2007	6.2.2007 - 16.11.2015	83,333	–	83,333	(83,333)	–
			6.2.2008	6.2.2008 - 16.11.2015	83,333	–	83,333	(83,333)	–
			6.2.2009	6.2.2009 - 16.11.2015	83,334	–	83,334	(83,334)	–
					250,000	–	250,000	(250,000)	–
Other employees:									
In aggregate	6.2.2006	4.20	6.2.2007	6.2.2007 - 16.11.2015	1,789,649	(674,298)	1,115,351	(1,115,351)	–
			6.2.2008	6.2.2008 - 16.11.2015	1,789,649	(674,298)	1,115,351	(1,115,351)	–
			6.2.2009	6.2.2009 - 16.11.2015	1,789,649	(674,299)	1,115,350	(1,115,350)	–
	29.12.2008	0.87	15.12.2009	15.12.2009 - 16.11.2015	1,500,000	–	1,500,000	(1,500,000)	–
			15.12.2010	15.12.2010 - 16.11.2015	1,500,000	–	1,500,000	(1,500,000)	–
			15.12.2011	15.12.2011 - 16.11.2015	1,500,000	–	1,500,000	(1,500,000)	–
			15.12.2012	15.12.2012 - 16.11.2015	1,500,000	–	1,500,000	(1,500,000)	–
			15.12.2013	15.12.2013 - 16.11.2015	1,500,000	–	1,500,000	(1,500,000)	–
					12,868,947	(2,022,895)	10,846,052	(10,846,052)	–
Total					13,118,947	(2,022,895)	11,096,052	(11,096,052)	–
Exercisable at the end of the year							11,096,052		–
Weighted average exercise price (HK$ per share)					2.30	–	2.30	–	–

The exercise price of share options granted was fixed at the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant.

The Group did not recognise any share option expense during the year ended 31 December 2015 (2014: Nil)

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 35 of the annual report.

Merger reserve

The merger reserve represents the difference between the nominal value of the shares of Samson Pacific Company Limited, the intermediate holding company of certain members of the Group, and the nominal value of the shares of its holding company, Samson Worldwide Limited issued for a share swap on 31 December 2005.

Statutory reserve

Pursuant to the relevant regulations applicable to foreign investment enterprises established in the PRC, LCDG and LCZJ were required to transfer a certain percentage of their profit after taxation to the statutory reserve in accordance with generally accepted accounting principles in the PRC until the reserve balance reaches 50% of their registered capital. The balances of the statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to set off accumulated losses or increase capital.

31. PLEDGE OF ASSETS

At the end of the reporting period, the Group had the following assets pledged to banks to secure general banking facilities granted to the Group:

	Notes	**2015** ***US$'000***	2014 *US$'000*
Property, plant and equipment	*13*	**42,768**	41,454
Investment properties	*14*	**8,374**	8,602
Inventories	*19*	**32,780**	29,013
Trade and other receivables	*20*	**63,509**	73,145
Pledged bank deposits	*23*	**7,737**	6,863
		155,168	159,077

32. OPERATING LEASE ARRANGEMENTS

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015	2014
	US$'000	*US$'000*
Within one year	**1,463**	2,372
In the second to fifth year, inclusive	**3,383**	5,957
Over five years	**782**	1,609
	5,628	9,938

Operating lease payments represent rentals payable by the Group for its factories, staff quarters and equipment. Lease terms range from one to five years. Operating lease payments also include a rental payable by the Group for its leasehold interest in land and buildings with a remaining lease term of 6 (2014: 7) years.

As lessor

Property rental income earned from the lease of a warehouse facility and sublease of leased factories during the year was US$1,256,000 (2014: US$1,342,000). The warehouse facility held has committed tenants for the next 7 (2014: 8) years.

At the end of the reporting period, the Group had contracted with tenants and sub-lessees for the following future minimum lease payments under non-cancellable operating leases:

	2015	2014
	US$'000	*US$'000*
Within one year	**1,248**	1,228
In the second to fifth year, inclusive	**5,132**	5,070
Over five years	**2,665**	3,972
	9,045	10,270

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the end of the reporting period:

	2015	2014
	US$'000	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted, but not provided for, in the consolidated financial statements	**7,120**	147

34. RELATED PARTY TRANSACTIONS

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

Name of related company	**Nature of transaction**	**2015** ***US$'000***	2014 *US$'000*
Samson Global Co., Ltd.	Rental paid	**38**	40

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

Compensation of key management personnel

The remuneration of members of key management personnel (including the directors of the Company as detailed in note 8 to the financial statements) during the year was as follows:

	2015	2014
	US$'000	*US$'000*
Short term benefits	**3,052**	3,006
Retirement benefit scheme contributions	**9**	8
	3,061	3,014

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.

35. 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:

2015

Financial assets

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

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading *US$'000*	Financial liabilities at amortised cost *US$'000*	Total *US$'000*
Trade payables	–	19,900	19,900
Financial liabilities included in other payables and accruals	–	32,741	32,741
Derivative financial instruments	22,221	–	22,221
Interest-bearing bank borrowings	–	110,941	110,941
	22,221	163,582	185,803

35. 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)

2014

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition *US$'000*	Held for trading *US$'000*	Loans and receivables *US$'000*	Total *US$'000*
Cash surrender value of life insurance	789	–	–	789
Trade receivables	–	–	84,477	84,477
Financial assets included in prepayments, deposits and other receivables	–	–	18,383	18,383
Held-for-trading investments	–	144,129	–	144,129
Derivative financial instruments	–	68	–	68
Pledged bank deposits	–	–	6,863	6,863
Short term bank deposits	–	–	85,211	85,211
Cash and cash equivalents	–	–	156,491	156,491
	789	144,197	351,425	496,411

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading *US$'000*	Financial liabilities at amortised cost *US$'000*	Total *US$'000*
Trade payables	–	21,578	21,578
Financial liabilities included in other payables and accruals	–	33,668	33,668
Derivative financial instruments	11,997	–	11,997
Interest-bearing bank borrowings	–	208,931	208,931
	11,997	264,177	276,174

36. 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 Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the executive directors and the Audit Committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the executive directors. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

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 held-for-trading investments are based on quoted market prices.

The fair values of cash surrender value of life insurance and deferred compensation were determined based on the valuation provided by the counterparty financial institution by reference to the quoted price of the underlying units held.

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

As at 31 December 2015, the marked to market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(continued)

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using		
	Quoted prices in active markets (Level 1) *US$'000*	**Significant observable inputs (Level 2)** *US$'000*	**Total** *US$'000*
As at 31 December 2015			
Held-for-trading investments	**96,918**	**16,243**	**113,161**
Derivative financial instruments	**–**	**152**	**152**
Cash surrender value of life insurance	**–**	**541**	**541**
	96,918	**16,936**	**113,854**
As at 31 December 2014			
Held-for-trading investments	127,429	16,700	144,129
Derivative financial instruments	–	68	68
Cash surrender value of life insurance	–	789	789
	127,429	17,557	144,986

Liabilities measured at fair value:

	Fair value measurement using significant observable inputs (Level 2) *US$'000*
As at 31 December 2015	
Derivative financial instruments	**22,221**
Deferred compensation	**837**
	23,058
As at 31 December 2014	
Derivative financial instruments	11,997
Deferred compensation	757
	12,754

During the year, 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 (2014: Nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, held-for-trading investments, derivative financial instruments, pledged bank deposits, short term bank deposits, cash and cash equivalents, trade and other payables and interest bearing bank borrowings. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 9% (2014: 10%) of the Group's sales were denominated in currencies other than the units' functional currencies, whilst approximately 55% (2014: 64%) of purchases were denominated in the units' functional currencies.

Certain subsidiaries of the Company have foreign currency denominated purchases and, accordingly, the Group has trade and other payables denominated in foreign currencies. In addition, the Group has bank balances and bank borrowings denominated in currencies other than the functional currencies of the relevant Group entities. As a result, the Group is exposed to foreign currency risk.

The Group has entered into forward currency contracts and foreign currency option contracts to manage its foreign currency exposure.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB and GBP exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Change in foreign currency rate	Increase/ (decrease) in profit before tax
	%	US$'000
2015		
If the US$ weakens against the RMB	**5%**	**24,883**
If the US$ strengthens against the RMB	**5%**	**(24,883)**
If the US$ weakens against the GBP	**5%**	**3,403**
If the US$ strengthens against the GBP	**5%**	**(3,403)**
2014		
If the US$ weakens against the RMB	5%	26,001
If the US$ strengthens against the RMB	5%	(26,001)
If the US$ weakens against the GBP	5%	2,552
If the US$ strengthens against the GBP	5%	(2,552)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

As at 31 December 2015, the credit risk of the Group which would cause a financial loss to the Group arose from counterparties failing to perform an obligation, with the maximum exposure equal to the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group sets appropriate credit limits for customers, follows up overdue debts and reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with good reputation.

In addition, the credit risk on held-for-trading investments is limited as management manages this exposure by maintaining a portfolio of investments with different risk profiles and listed in different stock exchange markets.

The Group is mainly engaged in the furniture industry, and there was significant concentration of credit risk within the Group as 86% (2014: 90%) of the total trade receivables were from the U.S. as at 31 December 2015. The Group also has concentration of credit risk by customers as 42% (2014: 50%) and 33% (2014: 36%) of the total trade receivables were due from the Group's five largest customers and largest customer, respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's liquidity position is monitored closely by the management of the Company.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or less than 3 months US$'000	3 to less than 12 months US$'000	Over 1 year US$'000	Total US$'000
2015				
Interest-bearing bank borrowings	86,127	20,217	4,597	110,941
Trade payables	15,900	4,000	–	19,900
Other payables	32,741	–	–	32,741
Derivative financial instruments	959	13,123	8,139	22,221
	135,727	37,340	12,736	185,803

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	On demand or less than 3 months US$'000	3 to less than 12 months US$'000	Over 1 year US$'000	Total US$'000
2014				
Interest-bearing bank borrowings	203,738	169	5,024	208,931
Trade payables	18,801	2,777	–	21,578
Other payables	33,668	–	–	33,668
Derivative financial instruments	36	913	11,048	11,997
	256,243	3,859	16,072	276,174

The above amounts relating to the variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which includes bank borrowings disclosed in note 25 to the financial statements, and equity attributable to the owners of the parent, comprising issued capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors consider the cost of capital and risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or redemption of existing debt.

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group monitors capital using a gearing ratio, which is debt divided by the equity. The Group's policy is to maintain the gearing ratio at a suitably low level. Debt includes interest-bearing bank borrowings. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2015 US$'000	2014 US$'000
Debt	**110,941**	208,931
Equity	**429,146**	488,568
Gearing ratio	**25.9%**	42.7%

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015	2014
	US$'000	*US$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**216,746**	216,746
Total non-current assets	**216,746**	216,746
CURRENT ASSETS		
Amounts due from subsidiaries	**203,454**	203,706
Cash and cash equivalents	**76**	73
Total current assets	**203,530**	203,779
CURRENT LIABILITIES		
Other payables	**336**	258
Amount due to a subsidiary	**8**	5
Total current liabilities	**344**	263
NET CURRENT ASSETS	**203,186**	203,516
TOTAL ASSETS LESS CURRENT LIABILITIES	**419,932**	420,262
EQUITY		
Issued capital	**152,180**	152,180
Reserves *(Note)*	**267,752**	268,082
Total equity	**419,932**	420,262

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium	Capital redemption reserve	Contributed surplus	Share option reserve	Retained profits	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2014	185,388	1,012	80,186	648	711	267,945
Total comprehensive income for the year	–	–	–	–	47,252	47,252
Dividend recognised as distribution	–	–	–	–	(47,115)	(47,115)
At 31 December 2014 and 1 January 2015	185,388	1,012	80,186	648	848	268,082
Total comprehensive income for the year	–	–	–	–	47,713	47,713
Dividend recognised as distribution	–	–	–	–	(48,043)	(48,043)
Transfer of share option reserve upon the expiry of share option	–	–	–	(648)	648	–
At 31 December 2015	185,388	1,012	80,186	–	1,166	267,752

Contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's share issued in exchange therefor pursuant to a group reorganisation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2016.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
REVENUE	**435,146**	415,799	408,846	422,770	423,439
Profit before impairment loss of an available-for-sale investment	**7,055**	22,211	27,508	25,043	13,444
Impairment loss on an available-for-sale investment	**–**	–	(6,585)	(1,227)	(7,077)
Profit before taxation	**7,055**	22,211	20,923	23,816	6,367
Taxation	**(4,214)**	(4,715)	(5,004)	(4,947)	(4,626)
Profit for the year	**2,841**	17,496	15,919	18,869	1,741

ASSETS AND LIABILITIES

	As at 31 December				
	2015	2014	2013	2012	2011
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total assets	**625,066**	775,497	685,222	715,921	700,228
Total liabilities	**(195,920)**	(286,929)	(164,200)	(161,741)	(144,701)
Total equity	**429,146**	488,568	521,022	554,180	555,527