


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 2016





* for identification purpose only

Lacquer Craft
UNIVERSAL Good, Affordable, Smart Design.
Legacy CLASSIC FURNITURE
CRAFTMASTER FURNITURE Life·Home·Comfort
WILLIS & GAMBIER Furniture designed for life
smartstuff™ furniture for kids.
PAULA DEEN Home
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."). 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., "Willis Gambier" in the United Kingdoms.

In May 2016, we have successfully acquired Grand Manor Furniture Inc., a Lenoir North Carolina U.S.A. based manufacturer established in 1960s which specialises in hospitality seating design and manufacturing. Its major customers include but not limit to Marriott, Hilton, Grand Hyatt and Western hotel chains. In February 2017, we have successfully acquired Kohler Interiors Group, Ltd., which owns three global luxury furniture brands, namely, "Baker", "Milling Road" and "McGuire", each with a history of leading design, quality and craftsmanship. Kohler Interiors Group, Ltd. sells its products through showrooms in North America, England, and France, and furniture dealer locations across the United States, Europe, Asia and the Middle East. Kohler Interiors Group, Ltd. maintains relationships with over 19,000 interior designers who recommend the products to consumers worldwide.

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

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Sheng Hsiung PAN

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Pik Yuk CHENG

AUTHORIZED REPRESENTATIVES

Ms. Yi-Mei LIU
Ms. Pik Yuk CHENG

REGISTERED OFFICE

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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 531

WEBSITES

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

PRINCIPAL PLACES OF BUSINESS

China:

Jian She Road, Jin Ju Village
Daling Shan Town
Dongguan City
Guangdong Province
China, 523820

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:

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

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

BNP Paribas
UBP Bank
Citibank Taiwan Limited
Wells Fargo Bank

SHARE REGISTRARS AND TRANSFER OFFICES

Principal:

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

Hong Kong Branch:

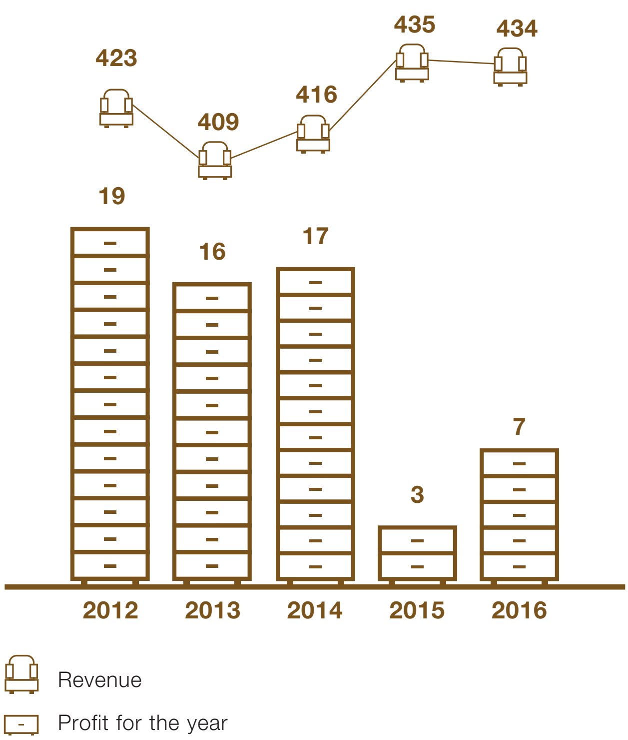
Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

FINANCIAL HIGHLIGHTS

	2016 **US$'000**	2015 *US$'000*	**2016** **HK$'000***	2015 *HK$'000**
Operating results				
Revenue	**434,050**	435,146	**3,385,590**	3,394,139
Earnings before interest and tax	**12,933**	10,581	**100,877**	82,532
Profit for the year	**6,545**	2,841	**51,051**	22,160
Earnings per share *(US/HK cents)*	**0.22**	0.09	**1.56**	0.78
Financial position				
Total assets	**561,327**	625,066	**4,378,350**	4,875,515
Net current assets	**225,410**	281,557	**1,758,198**	2,196,145
Shareholders' equity	**371,168**	429,146	**2,895,110**	3,347,339

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

Revenue & Profit for the year
(US$ MN)



Earnings per share
(US cents)

CHAIRMAN'S STATEMENT

"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 2016.

RESULTS

Our turnover was US$434.1 million in 2016, a less than 0.2% decrease over the turnover for year of 2015. Gross profit margin was recorded at 27.6% in 2016, with a gross profit of US$119.8 million as compared to US$119.0 million in 2015; and profit for the year of the Group was US$6.5 million, compared to a profit of US$2.8 million in 2015.

BUSINESS DEVELOPMENT AND OUTLOOK

2016 was an election year in the U.S. and consumer spending was temporarily delayed. After the presidential election, the U.S. economy remains resilient as the cycle of interest rate starts again. We believe that our business is in the early stage of moving out from business recession since year 2008. Amid a world of economic volatility and uncertainty, 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.

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 February 2017, we have successfully completed the acquisition of Kohler Interiors Group, Ltd. The acquisition will not only bring in luxury furniture business, which is complementary to the Company's existing business, but also complete the Company's strategic goal to offer a wide range of furniture brands from mid-low-end to ultra-high-end. We believe that there would be good opportunities that we can continue to increase shareholder value by consolidating the markets via acquisitions and organic growth of the business.

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
22 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

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 and Willis & Gambier (United Kingdom), backed up by Lacquer Craft Furniture with its unparalleled China manufacturing operations in Dongguan and Jiashan.

A heated up presidential election in the U.S. and the "Brexit" caused disturbance to the weak U.S. consumer demands in 2016. Amid a world of political and economic volatility and uncertainty, we believe that our business is in the early stage of moving out from business recession since year 2008. We continue to be positive and see signs of bottoming up in the U.S. economy, as evidenced by the starts of interest rate increase cycle. Our business was bottoming up as evidenced clearly by the increased gross profit margins and increased core operating earnings.

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

We are pleased to announce the successful completion of the acquisition of Kohler Interiors Group, Ltd. in February 2017. The acquisition will not only bring in luxury furniture business, which is complementary to the Company's existing business, but also complete the Company's strategic goal to offer a wide range of furniture brands from mid-low-end to ultra-high-end. We believe that there would be good opportunities that we can continue to increase shareholder value by consolidating the markets via acquisitions and organic growth of the business.

FINANCIAL REVIEW

Net sales for the year was US$434.1 million compared to US$435.1 million in 2015, a decrease of US$1.0 million or 0.2%. The Company's newly acquired business Grand Manor has expanded our group revenue this year while the sales growth in upholstery and Mass-Merchandise distribution divisions contributed to the increased net sales. Nevertheless, the turnover was hit by the lower sales in the Hospitality and U.K. markets, which resulted in a decrease of US$1.0 million in group net sales.

Gross profit increased 0.7% to US$119.8 million from US$119.0 million in 2015. The gross profit margin was increased to 27.6% from 27.3% in 2015, mainly due to the improvement in margin as driven by better product mix, category expansion and manufacturing efficiency.

Compared with US$100.1 million in 2015, total operating expenses were recorded at US$101.5 million in 2016. The increase was mainly due to the increased expenses of the newly acquired company.

The profit for this year increased to US$6.5 million from US$2.8 million in 2015. Net profit margin increased to 1.5% from 0.7% in 2015. The increase in profit was mainly due to the decrease of the unfavourable valuation loss on Renminbi and U.K. Pound Sterling denominated held-for-trading investments and deposits.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the Group's cash and cash equivalents increased by US$10.7 million to US$106.6 million from US$95.9 million as at 31 December 2015, short term bank deposits decreased by US$29.4 million to US$1.5 million from US$30.9 million as at 31 December 2015. Interest-bearing bank borrowings decreased from US$110.9 million as at 31 December 2015 to US$110.4 million as at 31 December 2016. The gearing ratio (total bank borrowings/shareholders' equity) increased to 29.7% as at 31 December 2016 from 25.9% as at 31 December 2015. The Group's cash position remains strong and the Group possesses sufficient cash and available banking facilities to meet working capital requirements and further enable us to expand through acquisitions with confidence.

Cash and cash equivalents held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling and Hong Kong dollars. As at 31 December 2016, interest-bearing bank borrowings of US$105.9 million (31 December 2015: US$106.3 million) bore interest at floating rates and fixed rate ranging from 1.29% to 1.99% respectively and long term bank borrowing of US$4.5 million bore interest at floating rate (31 December 2015: US$4.6 million).

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

As a result of our international operations, we are exposed to foreign exchange risk arising from various currency exposures primarily with respect to Renminbi and U.K. Pound Sterling. Although the majority of our total revenues is denominated in U.S. dollars, a substantial portion of our cost of sales is paid in Renminbi and part of the sales are denominated in U.K. Pound Sterling. The exchange rates of U.K. Pound Sterling and Renminbi to U.S. dollars have fluctuated substantially in recent years and may continue to fluctuate in the future. In order to manage the risks arising from fluctuations in foreign 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 values. As at 31 December 2016, outstanding forward exchange contracts with notional value amounted to US$97.4 million (31 December 2015: US$419.4 million).

The Group's current assets decreased by 13.0% to US$407.9 million compared to US$469.0 million as at 31 December 2015 and the Group's current liabilities decreased by 2.6% to US$182.5 million compared with US$187.4 million as at 31 December 2015. The current ratio (current assets/current liabilities) therefore decreased to 2.2 times from 2.5 times as at 31 December 2015.

PLEDGE OF ASSETS

As at 31 December 2016, certain of the Group's property, plant and equipments, inventories, trade and other receivables and bank deposits with carrying value of US$9.9 million (31 December 2015:US$155.2 million) have been pledged to banks to secure the general banking facilities granted to the Group.

CAPITAL EXPENDITURE

Capital expenditures for the year ended 31 December 2016 amounted to US$10.6 million compared to US$10.9 million in 2015, which was mainly incurred for the acquisition of Grand Manor (now became an indirect wholly owned subsidiary of the Company) in order to open up an opportunity in the seating sector of the lodging industry and the relocation of warehouse in the U.K. Furthermore, the Company's investment in pollution control equipment was enhanced to reduce the impact on the China environment with its increased concern in the environmental protection.

OUTLOOK

We believe that our business is in the early stage of moving out from business recession since year 2008. 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.

The recent industry and economy data in the U.S. suggests of good timing for great opportunities that we can increase shareholder value by consolidating the markets via value-added acquisition. The successful completion of acquisition of Kohler Interiors Group, Ltd. in February 2017 was a good example. The acquisition will not only bring in luxury furniture business, which is complementary to the Company's existing business, but also complete the Company's strategic goal to offer a wide range of furniture brands from mid-low-end to ultra-high-end. In addition, Kohler Interiors Group, Ltd. will open up new channels via own operated showrooms in almost every major city in the United States, London, United Kingdom and Paris, France to provide direct access to affluent consumers and leading designers.

Competition may be fierce and economy is unpredictable. However, we believe our capital, our management, 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 RMB0.03 per share for the year ended 31 December 2016 (2015: RMB0.05 per share), amounting to approximately RMB91.3 million (2015: RMB152.2 million), subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM"). Upon approval of the shareholders, the proposed final dividend will be paid on 28 June 2017 to the shareholders of the Company whose names appear on the Company's register of members as at 19 June 2017. The aggregate amount shall be paid out of the Company's share premium account if sanction by an ordinary resolution passed at the AGM.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2016, the Group employed approximately 7,900 (31 December 2015: 8,100) full-time employees in the PRC, the U.S., the U.K., Taiwan, Bangladesh and Indonesia. For the year ended 31 December 2016, the total remuneration of employees (including the remuneration of the Company's directors) was approximately US$100.1 million (31 December 2015: US$102.7 million).

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Shan Huei KUO, also known as Samuel Kuo, aged 61, 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 30 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.

Mr. Kuo is also a director of Advent Group Limited and Magnificent Capital Holding Limited, the substantial and controlling shareholders of the Company.

Yi-Mei LIU, also known as Grace Liu, aged 59, 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 30 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.

Ms. Liu is also a director of Advent Group Limited and Magnificent Capital Holding Limited, the substantial and controlling shareholders of the Company.

Mohamad AMINOZZAKERI, also known as Mohamad Amini, aged 56, 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 30 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 DIRECTOR

Sheng Hsiung PAN, also known as William Pan, aged 61, 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 30 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 55, 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 and a director of Long Chen Paper Co., Ltd., a company listed on Taiwan Stock Exchange Corporation. Mr. Kuo served as an Independent Director

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

of Cathy Financial Holding Co., Ltd, (a company listed on Taiwan Stock Exchange Corporation) from June 2007 to April 2016 and also served 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 58, 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 35 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 five other listed companies in Hong Kong: Binhai Investment Company Limited, China Medical & HealthCare Group Limited, Comba Telecom Systems Holdings Limited, Embry Holdings Limited and FIH Mobile Limited. He also serves as Company Secretary of Hung Fook Tong Group Holdings Limited, Yeebo (International Holdings) Limited and Expert Systems 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 from 16 March 2015 to 15 March 2016 and TCL Communication Technology Holdings Limited from 23 April 2004 till its withdrawal of listing on the Main Board of The Stock Exchange of Hong Kong Limited on 30 September 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 58, 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 61, 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 28 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.

Earl R. WANG, aged 53, is Vice President of Mass Merchandise Division (d.b.a. Samson International) of Samson Marketing. Mr. Wang has previously held the positions of 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 as well as 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.

Universal Furniture

Jeffrey R. SCHEFFER, aged 61, 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 53, 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 19 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

Donald A. ESSENBERG, aged 62, 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 46, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Gerald E. SAGERDAHL, aged 66, 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 35 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 59, 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 42, 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 53, 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 24 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 52, 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 60, 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 17 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 53, 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 26 years' experience in the procurement and supply of products to the U.K. market place.

Shing-Huei LI, also known as Elliott Li, aged 46, 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 54, 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 31 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 47, 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 46, 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.

CORPORATE GOVERNANCE REPORT

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 2016, 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 and Legacy Classic are Mr. Mohamad AMINOZZAKERI 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 2016, 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 9 to 11 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 2016.

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.

Two Remuneration Committee meetings were held during the year to review the remuneration policy and structure for all directors and senior management of the Group and to review and make recommendations to the Board on the Company's share option proposal for senior management.

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 the financial reporting system, risk management and internal control systems as well as the internal audit function of the Group and was satisfied with the effectiveness of the Group's risk management and internal controls systems. 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 2015.

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 2016 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group ("Senior Management"). The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls.

The Group has formulated and adopted Risk Management Policy in providing directions in identifying, evaluating and managing significant risks. At least on an annual basis, the Senior Management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

The handling and dissemination of inside information of the Company are strictly controlled to preserve the confidentiality, including but not limited to the following ways:

1. Restrict access to inside information to a limited number of employees on a need-to-know basis;

2. Remind employees who are in possession of inside information to be fully conversant with their obligations to preserve the confidentiality;

3. Ensure appropriate confidentiality agreements are in place when the Company enters into significant negotiations or dealings with third party(ies); and

4. Inside information is handled and communicated by designated persons.

The Board and the senior management of the Company review the safety measures regularly to ensure that the Company's inside information is properly handled and disseminated.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk management and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems were effective during the year.

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$575,000 and US$195,000 respectively. The non-audit services mainly consist of professional advisory on taxation (US$124,000) and review of interim financial information (US$71,000).

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Number of meetings held
Board	5
Audit Committee	2
Remuneration Committee	2
Nomination Committee	1
Annual General Meeting	1
Extraordinary General Meeting	1

Board resolutions were twice passed by resolutions in writing of all directors in lieu of directors' meeting.

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**	**Extraordinary General Meeting**
Executive Directors						
Mr. Shan Huei KUO *(Chairman)*	4/5	N/A	N/A	1/1	1/1	1/1
Ms. Yi-Mei LIU *(Deputy Chairman)*	5/5	N/A	N/A	N/A	1/1	1/1
Mr. Mohamad AMINOZZAKERI	5/5	N/A	N/A	N/A	1/1	1/1
Non-executive Director						
Mr. Sheng Hsiung PAN	5/5	2/2	2/2	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. Ming-Jian KUO	5/5	N/A	2/2	1/1	0/1	0/1
Mr. Siu Ki LAU	5/5	2/2	N/A	N/A	1/1	1/1
Mr. Sui-Yu WU	4/5	2/2	2/2	1/1	0/1	0/1

Apart from regular Board meetings, one other Board meeting 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 42 and 46.

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, 523820
(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).

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

The Company is very pleased to present the first Environmental, Social & Governance (ESG) Report, detailing the material environmental and social issues of the Company, and the manufacturing operations in China (Dongguan and Jiashan) and the U.S. over the financial year of 2016. The publication of this report marks a significant step towards greater transparency about our sustainability performance. In 2016, we attempted to understand the environmental and social concerns of our stakeholders, and this ESG Report highlights our progress in tackling these material issues.

Since our establishment in 1995, the Group has always strived to be a global leader in the furniture industry. With the belief that sustainability extends beyond mere business success, it is the Group's mission to create long-term value for our customers and stakeholders, in order to build a sustainable business. In essence, we wish to build a sustainable living space, both inside homes and the workplace, as well as the environment outside. Our sustainability approach is guided by three core areas:

The ESG Report was prepared according to Appendix 27 of the Rules Governing the Listing of Securities set by the Hong Kong Exchanges and Clearing Limited (HKEx), with reference to the General Disclosures. We will, in future reporting, include the sustainability Key Performance Indicators to measure and monitor our performance, and drive continuous improvement in sustainability.

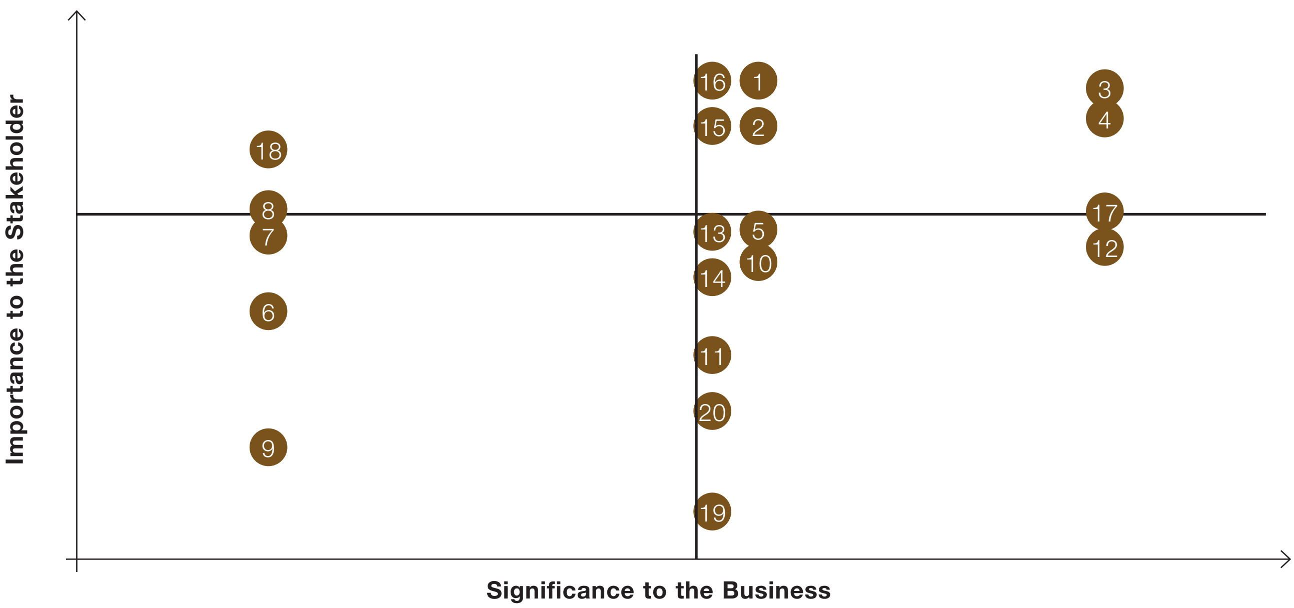
We welcome your feedback on this ESG Report, please contact us through email at investors@lacquercraft com.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The opinions and views of our stakeholders are important guidance to shape our sustainability strategy and future plans. In order to understand the stakeholders' view on ESG and identify which specific issues are the most influential topics to the Group from the stakeholder's perspectives, we launched an online questionnaire during the year. Throughout the process, opinions were collected from multiple fields of stakeholders, including board of directors, employees, and investors.

The questionnaire contained a set of rating questions that allowed stakeholders to determine the importance and relativity of each ESG topics to the operations. From the collected results, we plotted a materiality matrix to prioritize different topics, seven topics at the upper right quadrant of the matrix are identified as the material topics that are both important to our business and our stakeholders. With the result in mind, we will continue to strive to improve our performance. Details of our efforts in 2016 are presented in the later sections.

Materiality Matrix



ENVIRONMENT		HOME	
1	***Air emission***	14	Supply chain management
2	***GHG emission***	***15***	***Customer Health and Safety***
3	***Hazardous waste***	***16***	***Customer satisfaction***
4	***Non-hazardous waste***	***17***	***Intellectual property***
5	Energy consumption	18	Customer privacy
6	Water consumption	19	Anti-corruption
7	Packaging consumption		
8	Impacts on environment		
WORKPLACE		**COMMUNITY**	
9	Employment	20	Community investment
10	Occupational Health and Safety		
11	Employee Training		
12	Child Labor		
13	Forced Labor		

HOME: CREATING VALUE FOR OUR CUSTOMERS

No matter whether it is our original equipment manufacturing (OEM) business or brand-led business, it is vital that customers trust our products and services. We consistently work to improve customer satisfaction – by offering safe products to create a better life at home, and a feel-at-home experience to build customer connection.

Product Safety and Sustainability

As a producer of furniture, we appreciate the importance of quality living – this not only means comfort or craftsmanship, but also more importantly, it implies a safe and healthy living space. By maintaining high product quality, we hope to make the homes of our customers a better and safer living environment.

From Procurement...

We believe our responsibility begins from the procurement process, which can be seen as a two-way process – by making sure the materials we use in production do not have significant adverse impacts to the environment and surrounding communities, and are safe for our consumers.

We want to make sure our raw materials are produced in ways that respect the environment and people. To achieve this, we select suppliers that source in a sustainable way, for example, using rubber wood and timber certified by the Forest Stewardship Council (FSC) for our wood furniture. Craftmaster Furniture also offers an Earthcare Inside program for all the upholstered fabric styles, which products are created from renewable or recycled materials. In addition, to create a more sustainable supply chain, Craftmaster Furniture developed the Rules of Conduct outlining the standard on ethical worker treatment and care for the environment, assuring our customers that purchasing our products does not mean contributing to the adverse impacts on the environment and surrounding communities. On-site audits are conducted internally or by a third party to ensure suppliers meet the standard.

Choosing the right materials is the foundation of making high quality products that are durable and safe for our customers. We conduct assessments on the materials provided by our suppliers, ensuring that they do not contain any harmful substances or chemicals. For example, in selecting paint and powder for our furniture, we ask our suppliers to submit third party testing reports, so as to make sure the lead content for our products does not exceed the threshold limit, complying with the United States Consumer Product Safety Commission Standard; we also do not use fire retardant chemicals that can be harmful to people and the environment, for all foam based components at Craftmaster Furniture.

...To Production

We strive to manufacture our products through processes that do not have significant adverse impact to the environment while conserving energy and other resources. Details are presented is the later section "ENVIRONMENT".

It is also essential that all our products do not create any health and safety risks to our customers. In addition to selecting safe materials for production, the Group also applies strict safety standards based on compliance standard and customer requirements. Before starting production, we have internal testing standards for our products, such as structural tests, which are applied to finished products to make sure they are durable and safe for use, and coating adhesion tests. Only products that pass all necessary assessments are eligible for mass production and sold to our customers. Through these assessments and tests, the Group strives to maintain excellent quality in all our products.

While our assessments provide safety and quality assurance for our products, we also want to keep our customers informed of the potential risks or hazards that may occur if the products are used incorrectly. Hence, complying with the regulations of our operating countries, we attach safety labels on all applicable products, such as tip-over warning label, flammability warning label, etc. Information on the materials contained in the products is also attached, with detailed instructions on the usage of the products, e.g. cleaning procedures, maximizing the durability of our products.

Intellectual Property

Our production involves both the manufacturing of products for our own brands, as well as for other companies, which are both largely based upon careful designs that designers have put great efforts in. Although these intellectual properties are intangible, they are undoubtedly one of the most valuable assets of the Group. Therefore, the Group vows to ensure the protection and security of intellectual property throughout our operation. The Group follows a strict policy of confidentiality, where employees are reminded to keep the Group's confidential information – including clients' data, production techniques and designs – secure, and are prohibited from leaking the information to external parties. We also require our suppliers to uphold the standard; leakage of confidential information may result in termination of contract.

Customers' Concerns

Through the strict assessment standards and test, we hope to minimize the number of defects in our products. Yet, we understand that occasionally, customers may still have concerns over our products. The Group takes the opinions and concerns of our customers seriously and has set up corresponding systems to handle any complaints or inquiry from customers.

In 2016, we piloted a new digital system in our Dongguan factory to organize and process any complaints received from customers. The digitized system provides a platform for easier communication and cooperation across different departments, so they can respond promptly to any problems discovered and address consumers' concerns, by fixing the defected products and adjusting the designs if necessary. Furthermore, the system also allows better record-keeping, as all files are kept and can be used for future references. In this way, we can learn from our past mistakes and avoid similar incidents from happening again in the future. We hope to extend the system throughout the Group in the near future.

We have also purchased product liability insurance, not only to protect the Group against financial loss, but also to safeguard our customers for the claims of personal injury or property damage arising from our furniture.

WORKPLACE: BUILDING A FAIR AND SAFE WORKPLACE

A company can never truly function without the inputs of its employees. At Samson, the Group recognizes the importance of our employees, as it is their effort and passion that drive the growth and development of the company. Hence, as a responsible employer, we fulfill our end of responsibility, by providing a fair and safe workplace for all employees, where they can develop their careers while maintaining a healthy work-life balance.

Employment Practices

As a responsible employer, we strictly comply with all labor or employment regulations that apply to the jurisdictions where we operate in, including minimum wage law, provision of statutory holidays and leaves, working hours, etc.

The Group follows the principles of equal opportunity and diversity throughout its operation, from recruitment to employment. We hire employees based on merits and qualifications. No employment decision will be made based on gender, disability, race, nationality, religion, or any other traits protected by law. We are also committed not to engage in child and forced labor. All employees must sign an employment contract to indicate acknowledgement of the terms, rights and duties of the job, before starting work.

Ethical Workplace

To protect the rights of our employees, we have zero-tolerance on any forms of harassments or abuses at the workplace. Employees can report any violations of the policy and we will take prompt investigations on the matter. Retaliation is strictly prohibited. Through these practices, we hope to maintain good relationships among employees and create a caring working environment.

We also developed strict anti-bribery and corruption policies. Employees are prohibited from participating in any forms of forgery, bribery, corruption, abuse of authority, or any other forms of illegal activities. Whistle-blowing systems are also in place for employees to report any suspicious activities or any violations of policies.

Training and Development

Professional development of our employees is fundamental to the overall growth of the Group. Therefore, we put emphasis on staff trainings. Recognizing the different needs of employees at various positions and job duties, we have established a comprehensive training policy across the Group, so as to address the demands of each and every employee, ensuring that they have the technical skills for their job, as well as providing an opportunity for them to develop their potentials.

New employees receive induction training when they first join our company, which introduces them to our corporate culture and vision, as well as provides information on their required job duties. In addition to on-the-job trainings for all employees, we recognize the importance of leadership skills for managerial staff to promote the overall efficiency of the workplace. Hence, special training courses on leadership and communication skills are provided for current and potential managerial staff. Our trainings also cover other topics such as safety hazards and corresponding mitigating measures at our factories, to make sure employees work in a safe manner.

Occupational Health and Safety

In addition to employment practices, the Group believes that working environment is also an important factor affecting employees' experience at work and overall work quality. Therefore, we are committed to building a safe and healthy workplace for our employees, and have hence set up a comprehensive framework to ensure the occupational health and safety of our staff.

One cannot address one's problems properly without first identifying what the problem is. Likewise, we believe that the first step of ensuring occupation safety is to first identify the potential risks in our working environment. Hence, we continuously detect potential safety hazards at our workplace, so that we can devise the corresponding mitigating measures. For example, at our Dongguan factory, we have set up a leading committee, responsible for designing and implementing safety checks regularly. This allows the management to detect any potential risks in our production process and take preventive measures immediately. We also hire third parties to carry out hazard assessment at our factories, covering aspects such as noise and air pollution. Through this process, we are able to better identify the potential risks, making sure that we have taken sufficient precautions and mitigating measures to comply with all local laws and regulations.

Having identified the potential hazards, we then formulate the corresponding mitigating and preventive measures, to address each safety risk present at the workplace. These measures take form as both hardware and software. On the one hand, we try to reduce the level of risks by installing machines and equipment that mitigate the potential harm to employees. For example, in response to air pollutants emitted during the production process, we have installed ventilation facilities and activated carbon filtering systems to make sure the level of pollutants in air does not exceed threshold level and does not pose harm to the health of our employees. Sufficient protection equipment, including masks and ear plugs, are also provided for employees, in accordance with local requirement. On the other hand, we also realize that a large part of occupational safety depends on the awareness of employees themselves. Hence, even with sufficient safety facilities and equipment in place, workplace health and safety can only be maximized with the aid of proper trainings. Therefore, we always provide safety trainings for our employees.

However, we recognize that accidents do happen. Hence, in order to prepare for any emergency situations, e.g. fire accidents, spillage of hazardous chemicals, and minimize employee exposure and injury, we have established clear and detailed emergency plans. Fire drills and evacuation practices are also carried out at least annually, to make sure our employees know how to respond and react under these situations. In any cases that involve contamination or pollution of the environment, we have also identified the methods to cut off the polluting source and minimize the environmental impacts.

Employee Engagement

We hope to strengthen our employees' sense of belonging towards the Group. Communication is essential for us to understand employees' needs and concerns. Communication channels are set up at all our workplaces for employees to voice their opinions to the management. While the methods used may differ within the Group due to different practices and culture, nonetheless, we believe that these channels provide a platform for effective communication.

Apart from communication, we recognize that promoting work-life balance is also a crucial part to keep our employee happy and healthy. Therefore, we always organize activities for our staff – not only as a way for them to relax from their daily work, but also to strengthen team bonding.

ENVIRONMENT: MINIMIZING OUR ECOLOGICAL FOOTPRINT

With the vision to enhance better living for all, the Group's mission does not end within the interior of a home. Rather, we take a broader view of the environment that we are all living in and hope to create a better living space for all. In light of this mission, our environmental practices take form in mainly two ideas: 1) To minimize the environmental impacts of our production, and 2) To optimize the use of resources. In doing so, we hope to promote the idea of sustainability throughout our operation and contribute to making the environment a better place for all to live in.

Air Emission

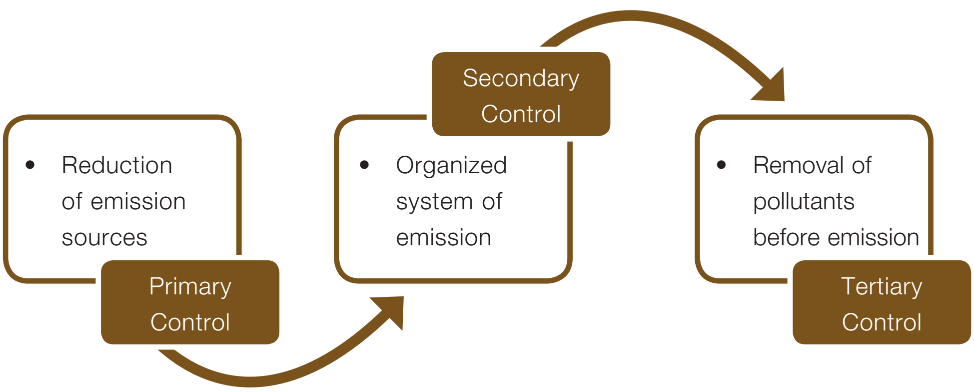
As a furniture manufacturer, the main sources of air emission at our factories are the organic gas and dust produced from our manufacturing process. The Group believes that with the various types of emissions present at our production facilities, it is our responsibility to make sure our emission level complies with local standards and does not carry adverse impacts to the environment.

Understanding the potential impacts these air pollutants could have on air quality without treatment, the Group takes various approaches to ensure all air pollutants produced are properly treated before emitting into the air. Our factories have installed facilities such as baghouse filter and activated carbon filter at the production plants to mitigate the level of air emission. We also replaced coal with natural gas for our boiler at Dongguan factory, not only reducing air pollutants such as SO_2 and NOx significantly, but also emitting less carbon dioxide, which in turn, contributes to the climate change.

With these measures taken, we hope to produce and manufacture in a cleaner manner, reducing our ecological footprint on the environment.

How do we reduce the level of Volatile Organic Compounds (VOCs) at our Dongguan factory?

The Group invested around RMB8 million at our Dongguan factory to reduce the level of VOCs, lessening the impact to the environment as well as adverse effects to human health. A three-stage approach was implemented:



Primary Control: Reduction

The primary stage of control focused on reducing the source of air emission in our production process, to minimize the impacts of air pollutants on our frontline employees. To achieve this goal, we have initiated a change in the types of paint we use in manufacturing. Instead of using oil-based paint, we are now gradually changing to top quality water-based paint, which does not carry a pungent smell or other harmful substances found in oil-based paint. In doing so, we were able to reduce the amount of air pollutants emitted during the production process and in turn minimize the risks faced by frontline staff.

Secondary Control: Collection

To make sure air emission at the plants was treated systematically, the second stage of control involved the organization of air emission sources for central treatment. Paint-spraying machines were isolated at a designated area to prevent any hazardous gas from leaking and polluting the surrounding atmosphere.

Tertiary Control: Treatment

Before emitting the produced exhaust gas into the atmosphere, the third stage controlled the quality of air emitted, ensuring that the harmful substances and air pollutants within the exhaust gas were properly treated or removed before releasing it into the atmosphere. At this stage, organic gas went through two stages of treatment, namely UV photolysis and activated carbon filter. Together, these two treatments could filter out 90% of the air pollutants, making sure the level of air emission complied with all local requirements.

Solid Waste Management

Although waste is inevitably generated during the production process, the Group sees it as another type of resource, which can still have production value and can be reused/recycled, given proper treatment. Therefore, apart from complying with relevant laws and regulations, our waste policy focuses largely on reusing/recycling waste materials, maximizing the value of the resources used.

Regarding the treatment of hazardous waste, the Group always prioritizes the impact to the environment and safety of our employees. Hence, detailed procedures on handling hazardous waste have been established to ensure proper handling approach. Complying with local laws and regulations, any hazardous waste produced was clearly labeled and stored according to its category and nature, and collected and treated by statutory treatment companies. We also strived to use more environmentally friendly raw materials such as water-based paint to reduce the generation of hazardous waste. Trainings were provided to ensure our employees were aware of the potential hazards and have necessary knowledge and skills to manage and handle emergency situation.

During our production process, various types of waste are generated, including wood pieces left from processing, ashes from stoves, fabric etc. While most would treat them as mere waste and send them to the landfill directly, the Group realizes the potential values of these resources and follows a policy of recycling and reusing where possible. For example, the excess pieces of wood left from our processing procedure were sold to third parties as materials for crafting and fuel. This practice not only extended the lifespan of the raw materials and optimized our use of resources, but also helped reduce production costs.

Energy Use and Greenhouse Gases Emissions

We strive to use our resources efficiently, not only because it improves economic benefits, but it is also good for our planet. With an aim to reduce energy consumption and thus, greenhouse gases (GHGs) emission, our factories have implemented various initiatives such as replacing lightings with more energy efficient T-8 bulbs or LEDs, and upgrading air compressors to be variable speed compressors. We also promote resources saving to our employees through trainings, reminders posting, and an incentive program.

To further improve the energy efficiency of the factory and support China's national level strategy in energy conservation, our Dongguan factory has established a comprehensive energy management system, and set annual energy reduction target for continuous improvement. They have a team to organize, supervise, inspect and coordinate energy use, as well as an effective energy metering management system in place to monitor energy use accurately for analysis. Various procedures such as optimizing production processes and managing the use of electricity, oil and equipment were also established.

Through the implementation of energy management system, substantial cost reduction has been achieved. We will continue to identify energy saving opportunities at our factories for continuous improvement and contribute to reversing the climate change.

HKEX ESG REPORTING GUIDE INDEX

HKEX ESG Reporting Guide General Disclosures		Policy & Procedures	Explanation/Reference section
Aspect A Environmental			
A1 Emission	Information on: – the policies; and – compliance and material non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.	Boiler dust removal and management system Waste management procedures Environmental impact assessments	ENVIRONMENT – Air Emission ENVIRONMENT – Solid Waste Management * Our manufacturing process does not produce any water pollution. The main source of wastewater comes from domestic use and hence, the overall level of water pollution is relatively low.
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Employee handbook Energy-saving management system	ENVIRONMENT – Energy Use and Greenhouse Gases Emissions * Only domestic water is used and we promote water conservation to our employees. It is not considered as a material issue within our operation.
A3 The Environment and Natural Resources	Policies on minimizing the operation's significant impact on the environment and natural resources.	Environmental impact policy Emergency plan	HOME – Product

HKEX ESG Reporting Guide General Disclosures		Policy & Procedures	Explanation/Reference section
Aspect B Social			
B1 Employment	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employee handbook Recruitment management procedures Employee benefits management approach	WORLPLACE – Employment Practices
B2 Health and Safety	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	Employee handbook Safety investigation and control system OHS Policy Environmental and emergency response manual	WORLPLACE - Occupational Health and Safety Occupational Health and Safety WORLPLACE – Employee
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external courses paid by the employer.	Employee handbook Training management procedures	WORLPLACE – Training and Development
B4 Labor Standard	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labor.	Employee handbook Recruitment management procedures	WORLPLACE – Employment Practices

HKEX ESG Reporting Guide General Disclosures		Policy & Procedures	Explanation/Reference section
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Craftmaster supplier Code of conduct Supplier management procedures Supplier commitment letter	HOME – Product
B6 Product Responsibility	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Employee handbook Quality assurance department – Testing and production procedures Customer compliant and return procedure Product fail management procedures	HOME: Creating Value for Our Customers
B7 Anti-corruption	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.	Employee handbook	WORLPLACE – Ethical Workplace
B8 Community Investment	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.	–	Our Group has sponsored and donated in various events and organization, such as Hunger Walk, National Night Out Against Crime, Catawba Valley Community College Foundation and Alexander Rescue Squad. We are formulating the policy governing the involvement of community activities. More details will be disclosed in the future reporting.

REPORT OF THE DIRECTORS

The directors present the report of directors and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out on pages 54 to 55.

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 2016 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 8 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 2016 are set out in the consolidated statement of profit or loss on page 47 of this annual report.

An interim dividend of RMB0.03 per share, amounting to approximately RMB91,308,000 (equivalent to approximately US$13,756,000), was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of RMB0.03 per share, amounting to approximately RMB91,308,000 (equivalent to approximately US$13,233,000 [Note]) to the shareholders of the Company whose names appear on the Company's register of members on 19 June 2017, subject to the approval of the shareholders at the forthcoming annual general meeting.

Note: exchange rate: US$1 to RMB6.9 (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

With a vision to become a global leader in the furniture industry, we understand our responsibility is not limited to create a better life at home, also to make the environment a better place for everyone to live in. With various environmental policies and practices established, we strive to minimise the environmental impacts of our production. Through implementing control measures, the level of air pollutants is reduced before emitting into the atmosphere to meet the government standards. We also have proper treatment procedure for managing hazardous waste. To improve resources efficiency, we reuse/recycle waste materials such as wood, and conserve energy such as installing LEDs lighting and educate employees.

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 2016 and up to the date of this report, we have complied with all the relevant laws and regulations in the above-mentioned jurisdictions.

For more details, please refer to the "Environmental, Social and Governance Report" section.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has maintained a good relationship with its employees, customers and suppliers:

Employees: We recognise the importance of our employees, and strive to fulfill our responsibility by providing a fair and safe workplace for all employees, where they can develop their careers while maintaining a healthy work-life balance.

Customers: It is vital to build up the customers trust on our products and services. To do so, we strive to maintain high product quality and offer safe products to create a better home for our customers. Listening to our customers is also our priority and corresponding systems are set up to handle customers' complaints or inquiries.

Suppliers: Suppliers are the key of product success. We carefully select our suppliers and require them to satisfy certain assessment criteria which are not limited to price, skills level and quality assurance standard, and also to make sure the materials use in production do not have significant adverse impacts to the environment and surrounding communities, and are safe for our consumers. We also require them to sign a probity agreement.

For more details, please refer to the "Environmental, Social and Governance Report" section.

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 112 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2016, the Company's reserves available for distribution to shareholders were as follows:

	2016	2015
	US$'000	*US$'000*
Share premium	**185,388**	185,388
Contributed surplus	**80,186**	80,186
Retained profits/(Accumulated losses)	**(58,243)**	1,166
	207,331	266,740

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 Director

Mr. Sheng Hsiung PAN

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. Yi-Mei LIU, Sui-Yu WU and Siu Ki LAU 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 2016.

SHARE OPTION SCHEME

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

The Company also adopted a new share option scheme on 18 May 2016 (the "2016 Share Option Scheme"), details of which are set out in note 29 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Details of the share options granted and outstanding under the 2005 Share Option Scheme and 2016 Share Option Scheme during the year were as follows:

	Date of grant	Exercise price *HK$*	Vesting date	Exercise period	Number of share options: Outstanding as at 1.1.2015	Expired during the year	Outstanding as at 31.12.2015	Granted during the year	Outstanding as at 31.12.2016
Director:									
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	83,333	(83,333)	–	–	–
			6.2.2008	6.2.2008 – 16.11.2015	83,333	(83,333)	–	–	–
			6.2.2009	6.2.2009 – 16.11.2015	83,334	(83,334)	–	–	–
					250,000	(250,000)	–	–	–
Other employees:									
In aggregate	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	1,115,351	(1,115,351)	–	–	–
			6.2.2008	6.2.2008 – 16.11.2015	1,115,351	(1,115,351)	–	–	–
			6.2.2009	6.2.2009 – 16.11.2015	1,115,350	(1,115,350)	–	–	–
	29.12.2008	0.87	15.12.2009	15.12.2009 – 16.11.2015	1,500,000	(1,500,000)	–	–	–
			15.12.2010	15.12.2010 – 16.11.2015	1,500,000	(1,500,000)	–	–	–
			15.12.2011	15.12.2011 – 16.11.2015	1,500,000	(1,500,000)	–	–	–
			15.12.2012	15.12.2012 – 16.11.2015	1,500,000	(1,500,000)	–	–	–
			15.12.2013	15.12.2013 – 16.11.2015	1,500,000	(1,500,000)	–	–	–
	11.11.2016	0.67	11.11.2016	11.11.2016 – 10.11.2021	–	–	–	42,000,000	42,000,000
					10,846,052	(10,846,052)	–	42,000,000	42,000,000
Total					11,096,052	(11,096,052)	–	42,000,000	42,000,000
Exercisable at the end of the year							–		42,000,000
Weighted average exercise price (HK$ per share)*					2.3		–		0.67

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

No share options were exercised, cancelled or lapsed during the year (2015: Nil).

The fair value of the share options granted during the year was US$3,117,000 (US$0.07 each) (2015: Nil), of which the Group recognised a share option expense of US$402,000 (2015: Nil) during the year ended 31 December 2016.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes disclosed above, at no time during the year and at the end of 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 2016, the interests of the directors or chief executive in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of directors	**Capacity**	**Number of issued ordinary shares held (Long positions)**	**Percentage of the issued share capital of the Company**
Mr. Shan Huei KUO	Held by controlled corporations *(Note)*	2,146,346,773	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 or chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2016.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2016, the interests of the substantial shareholders and other persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name of substantial shareholders	**Capacity**	**Number of issued ordinary shares held (Long positions)**	**Percentage of the issued share capital of the Company**
Magnificent Capital Holding Limited	Held by a controlled corporation	2,146,346,773	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 35 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	13%
– five largest customers	25%
– the largest supplier	6%
– five largest suppliers	18%

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$135,000.

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

On 15 February 2017, the Group entered into a stock purchase agreement for (i) the acquisition of all of the outstanding shares of the capital stock (i.e. 35,000 shares of common stock) of Kohler Interiors Group, Ltd. for a consideration of approximately US$29,500,000 (subject to adjustment upon final completion); and (ii) the option to acquire the Hickory Property of US$5,500,000 on or before 28 February 2017 (collectively the "Acquisition").

On 28 February 2017, the Group has exercised the option to acquire the Hickory Property and the final aggregate considerations for the Acquisition amounted to approximately US$35,600,000. For details, please refer to the Company's announcements dated 16 February 2017 and 1 March 2017. The assessment of the financial impact is still in progress.

AUDITORS

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

22 March 2017

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Samson Holding Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 111, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Net realisable value of inventories	
Inventory of US$101,130,000, as included in the consolidated financial statements as at 31 December 2016, was a material balance for the Group. The measurement of which required significant management judgment in determining an appropriate costing basis and assessing if its net realisable value was lower than the carrying amount of the inventory at year end. There were also judgments required in determining inventory excess and obsolescence provisions as these were based on forecast inventory usage. Relevant disclosures are included in notes 3 and 19 to the financial statements for the year ended 31 December 2016.	We evaluated the methodology and performed test of controls over the costing basis of inventories with the assistance from our internal specialists. We attended inventory counts to observe the physical condition of a sample of inventories selected as at year end. We assessed the inventory excess and obsolescence provision policy and considered management's judgement by comparing it to the historical data. We also assessed the net realisable value by comparing the unit prices of subsequent sales with the unit costs for significant items.
Recoverability of trade receivables	
At 31 December 2016, the Group had trade receivables of US$83,366,000 before provisions for impairment of US$2,155,000. The determination as to whether a trade receivable is impaired involved management judgement. Specific factors that management considered included the age of the balance, location of customers, existence of disputes, recent historical payment patterns and other relevant information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment was required either for a specific transaction or for a customer's balance overall. We focused on this area because of the level of management judgement and the materiality of the amounts involved. Relevant disclosures are included in notes 3 and 20 to the financial statements for the year ended 31 December 2016.	We performed test of controls over the Group's collection procedures, and the Group's assessment of the provision required at each period end. We also checked subsequent settlements after the year end. We assessed if any impairment indicators existed by considering the historical customer payment behavior, the creditworthiness of customers and the aging of the trade receivables. We also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying amount of goodwill at 31 December 2016 was US$13,705,000 (2015: US$11,475,000). Management 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. Relevant disclosures are included in notes 3 and 16 to the financial statements for the year ended 31 December 2016.	Management prepared discounted cash flow models to assist with the impairment assessment. We involved our internal specialists in evaluating the discounted cash flow models, and assumptions and parameters used by management and the Group, giving particular attention to the estimated future revenues and results. Our procedures included testing the assumptions used in the cash flow forecast, assessing the accuracy of previous forecasts by comparing to actual performance, and obtaining corroborative evidence to support the growth and trading assumptions. We also carried out audit procedures on management's sensitivity calculations. We then assessed the disclosures on the impairment testing, specifically the key assumptions that had the most significant effect on the determination of the recoverable amount of the goodwill, such as the discount rate and growth rate.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam, Wai Ming, Ada.

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	**2016** **US$'000**	2015 *US$'000*
REVENUE	*5*	**434,050**	435,146
Cost of sales		**(314,290)**	(316,179)
Gross profit		**119,760**	118,967
Other income, gains, losses and expenses		**(5,281)**	(8,272)
Distribution costs		**(19,230)**	(21,916)
Sales and marketing expenses		**(43,679)**	(42,116)
Administrative expenses		**(38,637)**	(36,082)
Finance costs	*7*	**(1,605)**	(3,526)
PROFIT BEFORE TAX	*6*	**11,328**	7,055
Income tax expense	*10*	**(4,783)**	(4,214)
PROFIT FOR THE YEAR		**6,545**	2,841
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*12*		
– Basic (in US cents)		**0.22**	0.09
– Diluted (in US cents)		**0.22**	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	US$'000	*US$'000*
PROFIT FOR THE YEAR	**6,545**	2,841
OTHER COMPREHENSIVE LOSS:		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(27,855)**	(14,220)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(27,855)**	(14,220)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(21,310)**	(11,379)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	**2016** **US$'000**	2015 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**114,229**	119,852
Investment properties	14	**8,146**	8,374
Prepaid land lease payments – non-current portion	15	**8,942**	9,808
Goodwill	16	**13,705**	11,475
Other intangible assets	17	**1,669**	1,669
Cash surrender value of life insurance	18	**–**	541
Deferred tax assets	27	**6,720**	4,353
Total non-current assets		**153,411**	156,072
CURRENT ASSETS			
Inventories	19	**101,130**	121,924
Trade and other receivables	20	**100,945**	98,877
Prepaid land lease payments – current portion	15	**282**	299
Held-for-trading investments	21	**96,453**	113,161
Derivative financial instruments	22	**–**	152
Pledged bank deposits	23	**1,008**	7,737
Short term bank deposits	23	**1,500**	30,946
Cash and cash equivalents	23	**106,598**	95,898
Total current assets		**407,916**	468,994
CURRENT LIABILITIES			
Trade and other payables	24	**60,296**	52,641
Tax payable		**8,880**	6,231
Derivative financial instruments	22	**7,447**	22,221
Interest-bearing bank borrowings	25	**105,883**	106,344
Total current liabilities		**182,506**	187,437
NET CURRENT ASSETS		**225,410**	281,557
TOTAL ASSETS LESS CURRENT LIABILITIES		**378,821**	437,629

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	**2016** **US$'000**	2015 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**378,821**	437,629
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*25*	**4,474**	4,597
Deferred compensation	*26*	**–**	837
Deferred tax liabilities	*27*	**3,179**	3,049
Total non-current liabilities		**7,653**	8,483
Net assets		**371,168**	429,146
EQUITY			
Issued capital	*28*	**152,180**	152,180
Reserves	*30*	**218,988**	276,966
Total equity		**371,168**	429,146

Shan Huei KUO
Director

Yi-Mei LIU
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	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 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 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		–	–	–	–	–	–	–	(48,043)	(48,043)
Transfer of share option reserve upon the expiry of share options		–	–	–	(648)	–	–	–	648	–
At 31 December 2015 and 1 January 2016		152,180	185,388	1,012	–	1,581	1,174	41,745	46,066	429,146
Profit for the year		–	–	–	–	–	–	–	6,545	6,545
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(27,855)	–	(27,855)
Total comprehensive loss for the year		–	–	–	–	–	–	(27,855)	6,545	(21,310)
Dividend recognised as distribution		–	–	–	–	–	–	–	(37,070)	(37,070)
Equity-settled share option arrangements	6	–	–	–	402	–	–	–	–	402
At 31 December 2016		152,180	185,388*	1,012*	402*	1,581*	1,174*	13,890*	15,541*	371,168

* These reserve accounts comprise the consolidated reserves of US$218,988,000 (2015: US$276,966,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	**2016** **US$'000**	2015 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**11,328**	7,055
Adjustments for:			
Provision for inventories	*6*	**3,835**	144
Reversal of inventories provision	*6*	**(108)**	(2,822)
Depreciation of investment properties	*6*	**228**	228
Depreciation of items of property, plant and equipment	*6*	**11,470**	12,298
Net loss on derivative financial instruments	*6*	**6,176**	13,122
Net gain on held-for-trading investments	*6*	**(4,234)**	(6,378)
Loss on disposal of items of property, plant and equipment	*6*	**336**	607
Impairment of trade receivables	*6*	**132**	1,226
Interest expense	*7*	**1,605**	3,526
Interest income	*6*	**(1,315)**	(8,017)
Amortisation of prepaid land lease payments	*6*	**294**	308
Equity-settled share option expense	*6*	**402**	–
		30,149	21,297
Decrease/(increase) in inventories		**18,056**	(5,755)
(Increase)/decrease in trade and other receivables		**(1,699)**	2,762
Increase/(decrease) in trade and other payables		**6,201**	(2,605)
Decrease in held-for-trading investments		**3,692**	30,526
Decrease in derivative financial instruments		**(20,798)**	(2,982)
Decrease in cash surrender value		**541**	248
(Decrease)/increase in deferred compensation		**(837)**	80
Cash generated from operations		**35,305**	43,571
PRC income tax paid		**(14)**	(459)
Overseas tax paid		**(2,900)**	(3,639)
Net cash flows from operating activities		**32,391**	39,473

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	**2016** **US$'000**	2015 US$'000
Net cash flows from operating activities		**32,391**	39,473
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6	**1,315**	8,017
Purchase of items of property, plant and equipment		**(9,713)**	(10,943)
Proceeds from disposal of items of property, plant and equipment		**266**	1,114
Acquisition of a subsidiary	31	**(3,451)**	–
Decrease in short term bank deposits		**29,446**	54,265
Decrease/(increase) in pledged bank deposits		**6,729**	(874)
Net cash flows from investing activities		**24,592**	51,579
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**105,648**	172,764
Repayment of bank loans		**(106,350)**	(270,754)
Dividends paid		**(37,070)**	(48,043)
Interest paid	7	**(1,605)**	(3,526)
Net cash flows used in financing activities		**(39,377)**	(149,559)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**17,606**	(58,507)
Cash and cash equivalents at the beginning of year		**95,898**	156,491
Effect of foreign exchange rate changes		**(6,906)**	(2,086)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	23	**106,598**	95,898

1. CORPORATE AND GROUP INFORMATION

Samson Holding Ltd. (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 Company and its subsidiaries (collectively referred to as 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		Principal activities
			Direct	Indirect	
Craftmaster Furniture, Inc.	United States ("U.S.")	US$0.01	–	100	Manufacturing and sale of furniture
Dongguan Huanhua Home Furniture Co., Ltd. ("DHH")*	People's Republic of China ("PRC")	RMB2,000,000	–	100	Trading of furniture
Grand Manor Furniture, Inc.	U.S.	US$4,008,000	–	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")*	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

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	
Legacy Classic Furniture, Inc.	U.S.	US$4,450,000	–	100	Marketing and sale of furniture
PT Lacquercraft Industry Indonesia	Indonesia	Indonesia Rupiah 22,507,500,000	–	100	Manufacturing and sale of furniture
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
Trendex Furniture Ind. Co., Ltd.	Bangladesh	Bangladesh Taka 400,000	–	100	Manufacturing and sale of furniture
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

* 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 and derivative financial instruments 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 Group for the year ended 31 December 2016. 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 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the adoption of the revised standards has had no significant financial effect on these 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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarification to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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. During 2016, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

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: (continued)

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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: (continued)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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 and held-for-trading investments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement *(continued)*

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.

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

***Loans and borrowings** (continued)*

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) rental income, on a time proportion basis over the lease terms;

(d) 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

(e) 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 7 November 2002 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 expense, 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 schemes

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.

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 recurring 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties (continued)

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.

Net realisable value of inventories

The measurement of net realisable value of inventories required significant management judgment in determining an appropriate costing basis and assessing if net realisable value of inventories was lower than the carrying amount of the inventory at year end. There were also judgments required in determining inventory excess and obsolescence provisions as these were based on forecast inventory usage.

Recoverability of trade receivables

The determination as to whether a trade receivable is impaired involved management judgement. Specific factors that management considered included the age of the balance, location of customers, existence of disputes, recent historical payment patterns and other relevant information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment was required either for a specific transaction or for a customer's balance overall.

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 2016 was US$13,705,000 (2015: 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 resource 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$56,851,000 (2015: US$54,935,000) represents the profit before tax earned by the single reportable segment excluding administrative expenses, other income, gains, losses and expenses and finance costs.

4. OPERATING SEGMENT INFORMATION (continued)

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*
2016			
Depreciation of property, plant and equipment	**10,453**	**1,017**	**11,470**
Provision of inventories, net	**3,727**	**–**	**3,727**
2015			
Depreciation of property, plant and equipment	11,175	1,123	12,298
Reversal of inventories provision, net	(2,678)	–	(2,678)

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.

Geographical information

The Group's operations are mainly located in the PRC, the U.K., 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	
	2016 ***US$'000***	2015 *US$'000*	**2016** ***US$'000***	2015 *US$'000*
PRC, including Hong Kong	**12,654**	12,989	**68,905**	78,327
U.K.	**16,756**	21,714	**1,626**	194
U.S.	**402,742**	397,333	**59,568**	56,080
Bangladesh	**–**	–	**5,651**	6,177
Others	**1,898**	3,110	**10,941**	10,400
	434,050	435,146	**146,691**	151,178

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

Information about a major customer

Revenue of approximately US$56,027,000 (2015: US$44,878,000) 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	**2016** **US$'000**	2015 US$'000
Employee benefits expense (excluding directors' remuneration) *(note 8)*			
Wages, salaries and allowances		**94,357**	98,283
Equity-settled share options expense		**402**	–
Retirement benefit scheme contributions		**3,350**	2,408
		98,109	100,691
Provision for inventories		**3,835**	144
Reversal of inventories provision		**(108)**	(2,822)
Auditors' remuneration		**770**	801
Cost of inventories sold		**310,563**	318,857
Depreciation of investment properties	*14*	**228**	228
Depreciation of items of property, plant and equipment	*13*	**11,470**	12,298
Amortisation of prepaid land lease payments	*15*	**294**	308
Impairment of trade receivables	*20*	**132**	1,226
Loss on disposal of items of property, plant and equipment*		**336**	607
Minimum lease payments under operating leases		**1,922**	2,777
Net loss on derivative financial instruments*		**6,176**	13,122
Foreign exchange differences, net*		**8,478**	12,473
Net gain on held-for-trading investments*		**(4,234)**	(6,378)
Bank interest income*		**(1,315)**	(8,017)
Rental income from leases*		**(1,256)**	(1,256)
Service income from provision of logistics arrangement services		**(268)**	(192)

* 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:

	2016	2015
	US$'000	*US$'000*
Interest on bank loans	**1,605**	3,526

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:

	2016	2015
	US$'000	*US$'000*
Fees	**201**	209
Other emoluments:		
Salaries, allowances and benefits in kind	**1,777**	1,766
	1,978	1,975

(a) Independent non-executive directors

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

	2016	2015
	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 (2015: 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
2016			
Executive directors:			
Shan Huei KUO	**31**	**819**	**850**
Yi-Mei LIU	**31**	**586**	**617**
Mohamad AMINOZZAKERI	**31**	**372**	**403**
	93	**1,777**	**1,870**
Non-executive director:			
Sheng Hsiung PAN	**15**	**–**	**15**
	108	**1,777**	**1,885**
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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: 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 (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2015: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are not directors of the Group are as follows:

	2016	2015
	US$'000	*US$'000*
Salaries, allowances and benefits in kind	**1,127**	1,077
Retirement benefit scheme contributions	**–**	9
	1,127	1,086

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

	Number of employees	
	2016	2015
HK$3,500,001 to HK$4,000,000 (approximately US$452,001 to US$516,000)	**1**	1
HK$4,500,001 to HK$5,000,000 (approximately US$581,001 to US$645,000)	**–**	1
HK$5,000,001 to HK$5,500,000 (approximately US$645,001 to US$710,000)	**1**	–
	2	2

During the year and in prior years, share options were granted to the non-director highest paid employees (2015: one) in respect of their 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 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% (2015: 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 (2015: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2016	2015
	US$'000	*US$'000*
Current tax:		
U.S.	**6,157**	2,940
Elsewhere	**854**	670
	7,011	3,610
Deferred tax *(note 27)*	**(2,228)**	604
	4,783	4,214

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which 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:

	2016		2015	
	US$'000	***%***	*US$'000*	*%*
Profit before taxation	**11,328**		7,055	
Taxation at the U.S. federal income tax rate of 34%	**3,848**	**34.0**	2,399	34.0
U.S. state income tax at other rates	**257**	**2.3**	332	4.7
Tax effect of expenses not deductible for tax purpose	**438**	**3.8**	581	8.2
Tax effect of income not taxable	**(2,098)**	**(18.5)**	(3,283)	(46.5)
Tax effect of tax losses not recognised	**2,605**	**23.0**	4,172	59.1
Effect of losses/(profits) in subsidiaries operating in other jurisdictions	**(267)**	**(2.4)**	13	0.2
Tax charge at the Group's effective rate	**4,783**	**42.2**	4,214	59.7

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

11. DIVIDENDS

	2016	2015
	US$'000	*US$'000*
Interim – RMB0.03 (2015: RMB0.05) per share	**13,756**	24,485
Final – RMB0.05 per share for 2015 (2015: HK$0.06 per share for 2014)	**23,314**	23,558
	37,070	48,043

Final dividend of RMB0.03 per share amounting to approximately RMB91.3 million in respect of the year ended 31 December 2016 (2015: RMB0.05 per share amounting to approximately RMB152.2 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:

	2016	2015
	US$'000	*US$'000*
Profit for the year and earnings for the purpose of basic and diluted earnings per share	**6,545**	2,841

	2016	2015
	Number of shares	*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
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**3,043,609,773***	3,044,669,933

* No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2016 in respect of a potential dilution as the exercise price of the outstanding share options granted by the Company was higher than the average market price of the ordinary shares of the Company during the year end and, accordingly, the share options had no dilutive effect on the basic earnings per share amounts presented.

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 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 and 1 January 2016	12,604	118,188	94,855	13,335	2,192	36,903	2,824	280,901
Exchange realignment	122	(5,287)	(5,762)	(925)	(111)	(1,645)	(194)	(13,802)
Additions	5	2,987	2,159	933	700	1,203	1,515	9,502
Acquisition of a subsidiary *(note 31)*	201	764	–	–	–	113	–	1,078
Disposals	–	(1,311)	(3,253)	–	(170)	(181)	–	(4,915)
At 31 December 2016	**12,932**	**115,341**	**87,999**	**13,343**	**2,611**	**36,393**	**4,145**	**272,764**
Accumulated depreciation:								
At 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 and 1 January 2016	–	45,372	75,466	8,895	1,660	29,656	–	161,049
Exchange realignment	–	(2,632)	(4,767)	(617)	(83)	(1,361)	–	(9,460)
Depreciation provided for the year	–	5,637	3,898	654	158	1,123	–	11,470
Eliminated on disposals	–	(1,311)	(2,906)	–	(140)	(167)	–	(4,524)
At 31 December 2016	–	47,066	71,691	8,932	1,595	29,251	–	158,535
Net carrying amount:								
At 31 December 2016	**12,932**	**68,275**	**16,308**	**4,411**	**1,016**	**7,142**	**4,145**	**114,229**
At 31 December 2015	12,604	72,816	19,389	4,440	532	7,247	2,824	119,852

* The freehold land is situated in the U.S., Taiwan and Indonesia.

At 31 December 2016, certain of the Group's property, plant and equipment with a net carrying amount of US$8,946,000 (2015: US$42,768,000) were pledged to banks to secure certain mortgage loan granted to the Group (note 32).

14. INVESTMENT PROPERTIES

	US$'000
Cost:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	12,185
Accumulated depreciation:	
At 1 January 2015	3,583
Provided for the year	228
At 31 December 2015 and 1 January 2016	3,811
Provided for the year	228
At 31 December 2016	4,039
Net carrying amount:	
At 31 December 2016	8,146
At 31 December 2015	8,374

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 were pledged to banks to secure credit facilities granted to the Group (note 32). The pledge of investment properties was released during the year ended 31 December 2016 upon the expiry of credit facilities in the U.S.

The fair value of the Group's investment properties at 31 December 2016 was US$12,510,000 (2015: 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:

	2016	2015
	US$'000	*US$'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	Discounted 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

	2016 ***US$'000***	2015 *US$'000*
Carrying amount at 1 January	**10,107**	11,105
Exchange realignment	**(589)**	(690)
Recognised during the year *(note 6)*	**(294)**	(308)
Carrying amount at 31 December	**9,224**	10,107
Current portion	**(282)**	(299)
Non-current portion	**8,942**	9,808

16. GOODWILL

	US$'000
Cost and carrying amount at 1 January 2015, 31 December 2015 and 1 January 2016	11,475
Acquisition of a subsidiary *(note 31)*	2,230
Cost and carrying amount at 31 December 2016	13,705

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

	2016 **US$'000**	2015 US$'000
Brand A	**11,475**	11,475
Brand C	**2,230**	–
	13,705	11,475

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

The recoverable amounts of these CGUs have 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 14.5% (2015: 16%) with an 8% to 10% (2015: 7% to 10%) 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. These CGUs' 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 CGUs' 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 these CGUs to exceed the aggregate recoverable amount of the CGUs.

17. OTHER INTANGIBLE ASSETS

	Trademark
	US$'000
Cost and carrying amount:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	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 an 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:

	2016	2015
	US$'000	*US$'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 an 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 CGU has been determined based on a value in use calculation. Management believes this CGU 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 14.5% (2015: 16%) with zero (2015: 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 CGU'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 CGU'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 CGU.

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:

	2016	2015
	US$'000	*US$'000*
Significant observable inputs:		
Cash surrender value of life insurance (Level 2)	**–**	541

During the year, the deferred compensation plan was terminated and the cash surrender value of the policy was settled. 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

	2016	2015
	US$'000	*US$'000*
Raw materials	**33,001**	35,965
Work in progress	**11,185**	12,590
Finished goods	**56,944**	73,369
	101,130	121,924

At 31 December 2015, the Group's inventories with a carrying amount of US$32,780,000 were pledged as security for the Group's credit facilities, as further detailed in note 32 to the financial statements. The pledge of inventories was released during the year ended 31 December 2016 upon the expiry of the credit facilities in the U.S.

20. TRADE AND OTHER RECEIVABLES

	2016	2015
	US$'000	*US$'000*
Trade receivables	**83,366**	78,668
Impairment	**(2,155)**	(2,248)
	81,211	76,420
Other receivables and prepayments *(Note)*	**19,734**	22,457
	100,945	98,877

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:

	2016	2015
	US$'000	*US$'000*
Within 1 month	**32,671**	39,530
1 to 2 months	**29,850**	21,010
Over 2 months	**18,690**	15,880
	81,211	76,420

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

	2016	2015
	US$'000	*US$'000*
Balance at beginning of the year	**2,248**	2,491
Impairment losses recognised *(note 6)*	**132**	1,226
Amount written off as uncollectible	**(225)**	(1,469)
Balance at end of the year	**2,155**	2,248

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$2,155,000 (2015: US$2,248,000).

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:

	2016	2015
	US$'000	*US$'000*
Neither past due nor impaired	**62,521**	60,540
Less than 3 months past due	**18,690**	15,880
	81,211	76,420

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.

As at 31 December 2015, certain subsidiaries had pledged trade and other receivables of approximately US$63,509,000 to secure credit facilities granted to the Group (note 32). The pledge of trade and other receivables was released during the year ended 31 December 2016 upon the expiry of credit facilities in the U.S.

21. HELD-FOR-TRADING INVESTMENTS

	2016	2015
	US$'000	*US$'000*
Debt securities, at fair value:		
Listed in the U.S. with average yield rate of 4.31% to 4.58% and maturity from January 2016 to November 2041	**16,394**	15,969
Listed in Hong Kong with average yield rate of 3.76% to 3.80% and maturity from June 2016 to November 2024	**17,277**	31,862
Listed in Singapore with average yield rate of 4.19% to 4.23% and maturity from January 2016 to July 2026	**14,076**	25,390
Listed in the U.K. with average yield rate of 3.78% to 4.24% and maturity from January 2017 to January 2022	**2,055**	4,628
Listed in other jurisdictions with average yield rate of 3.76% to 3.82% and maturity from February 2016 to June 2026	**7,757**	10,742
Structured deposits with interest rate of 5.75% to 7.70% and maturity from February 2017 to March 2017	**6,638**	–
Others	**32,256**	24,570
	96,453	113,161

The above investments at 31 December 2015 and 2016 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

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	***US$'000***	*US$'000*	*US$'000*
Forward currency contracts	**–**	**2,124**	110	9,678
Foreign currency option contracts	**–**	**5,323**	42	12,543
	–	**7,447**	152	22,221

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$7,448,000 (2015: US$22,084,000) were charged to the statement of profit or loss during the year.

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

	Note	2016 US$'000	2015 US$'000
Cash and bank balances		**109,106**	134,581
Less: Time deposits with maturity more than three months but less than a year		**(1,500)**	(30,946)
		107,606	103,635
Less: Pledged bank deposits:			
Pledged for bank loans	32	**(1,008)**	(7,737)
Cash and cash equivalents		**106,598**	95,898

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$21,658,000 (2015: US$86,302,000). 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:

	2016 US$'000	2015 US$'000
Trade payables:		
Within 1 month	**12,173**	10,764
1 to 2 months	**4,429**	5,136
Over 2 months	**4,704**	4,000
	21,306	19,900
Other payables and accruals *(Note)*	**38,990**	32,741
	60,296	52,641

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

	2016			2015		
	Effective interest rate (%)	**Maturity**	***US$'000***	Effective interest rate (%)	Maturity	*US$'000*
Current						
Bank loans – unsecured	**1.29 – 1.99**	**2017**	**105,648**	0.88 – 1.22	2016	106,121
Bank loans – secured	**1.60 – 1.81**	**2017**	**235**	1.81	2016	223
			105,883			106,344
Non-current						
Bank loans – secured	**1.60 – 1.81**	**2034**	**4,474**	1.60 – 1.81	2034	4,597
			4,474			4,597
			110,357			110,941

	2016	2015
	US$'000	*US$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**105,883**	106,344
In the second year	**239**	227
In the third to fifth years, inclusive	**740**	704
Beyond five years	**3,495**	3,666
	110,357	110,941

Notes:

(a) At 31 December 2015, the Group had utilised credit facilities of US$20,000,000 which were secured by certain assets of the Group. The credit facilities were expired during the year ended 31 December 2016 and, accordingly, certain pledged assets were released. Details are disclosed in note 32 to the financial statements.

(b) Certain of the Group's bank loans are secured by mortgages over the Group's land and buildings with an aggregate carrying value at the end of the reporting period of approximately US$8,946,000 (2015: US$8,806,000).

(c) The unsecured bank loans and the secured bank loans are denominated in US$ and TWD, respectively.

26. DEFERRED COMPENSATION

The Group had 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:

	2016	2015
	US$'000	*US$'000*
Significant observable inputs:		
Deferred compensation (Level 2)	**–**	837

During the year, the discretionary amount was fully settled, because the key executive retired in a previous 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 2015	1,730	(3,647)	(1,917)
Exchange differences	9	–	9
Deferred tax (credited)/charged to the statement of profit or loss during the year *(note 10)*	(171)	775	604
At 31 December 2015 and at 1 January 2016	1,568	(2,872)	(1,304)
Exchange differences	(9)	–	(9)
Deferred tax (credited)/charged to the statement of profit or loss during the year *(note 10)*	56	(2,284)	(2,228)
At 31 December 2016	1,615	(5,156)	(3,541)

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 balances for financial reporting purposes:

	2016	2015
	US$'000	*US$'000*
Deferred tax liabilities	**3,179**	3,049
Deferred tax assets	**(6,720)**	(4,353)
	(3,541)	(1,304)

At the end of the reporting period, the Group had unused tax losses of US$34,887,000 (2015: US$32,282,000) 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$27,790,000 (2015: US$25,539,000) 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 2016, 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$7,673,000 (2015: US$7,530,000) as at 31 December 2016.

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

28. SHARE CAPITAL

Shares

	2016	2015
	US$'000	*US$'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

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

On 24 October 2005, a share option scheme (the "2005 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 2005 Share Option Scheme expired on 16 November 2015.

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

The maximum number of shares to be issued in respect of which options may be granted under the 2005 Share Option Scheme, upon their exercise, shall not exceed 10% of the shares of the Company in issue 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 2005 Share Option Scheme. The maximum number of shares to be issued in respect of which options may be granted under the 2016 Share Option Scheme, upon their exercise, shall not exceed 10% of the issued share capital of the Company on 18 May 2016, i.e. 304,360,977 shares. As at 31 December 2016, the Company had 42,000,000 share options outstanding under the 2016 Share Option Scheme, representing approximately 1.4% of the issued share capital of the Company as at the date this report.

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

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

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

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

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

29. SHARE OPTION SCHEME (continued)

Details of the share options granted and outstanding under the 2005 Share Option Scheme and 2016 Share Option Scheme during the year were as follows:

	Date of grant	Exercise price *HK$*	Vesting date	Exercise period	Number of share options: Outstanding as at 1.1.2015	Expired during the year	Outstanding as at 31.12.2015	Granted during the year	Outstanding as at 31.12.2016
Director:									
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	83,333	(83,333)	–	–	–
			6.2.2008	6.2.2008 – 16.11.2015	83,333	(83,333)	–	–	–
			6.2.2009	6.2.2009 – 16.11.2015	83,334	(83,334)	–	–	–
					250,000	(250,000)	–	–	–
Other employees:									
In aggregate	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	1,115,351	(1,115,351)	–	–	–
			6.2.2008	6.2.2008 – 16.11.2015	1,115,351	(1,115,351)	–	–	–
			6.2.2009	6.2.2009 – 16.11.2015	1,115,350	(1,115,350)	–	–	–
	29.12.2008	0.87	15.12.2009	15.12.2009 – 16.11.2015	1,500,000	(1,500,000)	–	–	–
			15.12.2010	15.12.2010 – 16.11.2015	1,500,000	(1,500,000)	–	–	–
			15.12.2011	15.12.2011 – 16.11.2015	1,500,000	(1,500,000)	–	–	–
			15.12.2012	15.12.2012 – 16.11.2015	1,500,000	(1,500,000)	–	–	–
			15.12.2013	15.12.2013 – 16.11.2015	1,500,000	(1,500,000)	–	–	–
	11.11.2016	0.67	11.11.2016	11.11.2016 – 10.11.2021	–	–	–	42,000,000	42,000,000
					10,846,052	(10,846,052)	–	42,000,000	42,000,000
Total					11,096,052	(11,096,052)	–	42,000,000	42,000,000
Exercisable at the end of the year							–		42,000,000
Weighted average exercise price (HK$ per share)*					2.30		–		0.67

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

No share options were exercised, cancelled and lapsed during the year (2015: Nil).

29. SHARE OPTION SCHEME (continued)

The fair value of the share options granted during the year was US$3,117,000 (US$0.07 each) (2015: Nil), of which the Group recognised a share option expense of US$402,000 (2015: Nil) during the year ended 31 December 2016.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2016
Dividend yield (%)	**10.35**
Expected volatility (%)	**35.42**
Historical volatility (%)	**35.36**
Risk-free interest rate (%)	**0.96**
Expected life of options (year)	**5**
Weighted average share price (HK$ per share)	**0.67**

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, the Company had 42,000,000 share options outstanding under the 2016 Share Option Scheme, which represented approximately 1.4% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,000,000 additional ordinary shares of the Company and additional share capital of US$2,100,000 (before issue expenses).

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 51 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. BUSINESS COMBINATION

On 2 May 2016, Lacquer Craft Hospitality, Inc., a wholly-owned subsidiary of the Company acquired a 100% interest in Grand Manor Furniture, Inc. ("Grand Manor"), at a consideration of US$4,038,000. Grand Manor is principally engaged in the manufacturing and sale of hospitality furniture. The acquisition was made as part of the Group's strategy to expand its product offering into upholstery to further complement its existing product category into a total solution provider. The purchase consideration was fully settled by cash of US$4,038,000 on 6 June 2016.

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

	Note	**Fair value recognised on acquisition** *US$'000*
Property, plant and equipment	*13*	1,078
Inventories		1,110
Cash and bank balances		587
Trade receivables		745
Other receivables and prepayments		72
Trade payables		(330)
Other payables and accruals		(1,454)
Total identifiable net assets at fair value		1,808
Goodwill on acquisition		2,230
Satisfied by cash		4,038

The fair values and gross contractual amounts of the trade receivables and other receivables as at the date of acquisition amounted to US$745,000 and US$72,000, respectively.

The Group incurred transaction costs of US$30,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

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

	US$'000
Cash consideration	(4,038)
Cash and bank balances acquired	587
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,451)

Since the acquisition, Grand Manor contributed US$8,713,000 to the Group's revenue and US$635,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been US$438,627,000 and US$7,107,000, respectively.

32. PLEDGE OF ASSETS

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

	Notes	**2016** ***US$'000***	2015 *US$'000*
Property, plant and equipment	*13*	**8,946**	42,768
Investment properties	*14*	**–**	8,374
Inventories	*19*	**–**	32,780
Trade and other receivables	*20*	**–**	63,509
Pledged bank deposits	*23*	**1,008**	7,737
		9,954	155,168

33. 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:

	2016 ***US$'000***	2015 *US$'000*
Within one year	**888**	1,463
In the second to fifth years, inclusive	**2,353**	3,383
Over five years	**–**	782
	3,241	5,628

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 5 (2015: 6) 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 (2015: US$1,256,000). The warehouse facility held has committed tenants for the next 6 (2015: 7) years.

33. OPERATING LEASE ARRANGEMENTS (continued)

As lessor (continued)

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

	2016	2015
	US$'000	*US$'000*
Within one year	**1,259**	1,248
In the second to fifth years, inclusive	**5,196**	5,132
Over five years	**1,341**	2,665
	7,796	9,045

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitments at the end of the reporting period:

	2016	2015
	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	**11,119**	7,120

35. RELATED PARTY TRANSACTIONS

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

		2016	2015
Name of related company	**Nature of transaction**	***US$'000***	*US$'000*
Samson Global Co., Ltd.	Rental paid	**37**	38

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

35. RELATED PARTY TRANSACTIONS (continued)

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:

	2016	2015
	US$'000	*US$'000*
Short term benefits	**3,104**	3,052
Retirement benefit scheme contributions	**–**	9
	3,104	3,061

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.

36. 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:

2016

Financial assets

	Financial assets at fair value through profit or loss		
	Held for trading	**Loans and receivables**	**Total**
	US$'000	***US$'000***	***US$'000***
Trade receivables	**–**	**81,211**	**81,211**
Financial assets included in prepayments, deposits and other receivables	**–**	**9,869**	**9,869**
Held-for-trading investments	**96,453**	**–**	**96,453**
Pledged bank deposits	**–**	**1,008**	**1,008**
Short term bank deposits	**–**	**1,500**	**1,500**
Cash and cash equivalents	**–**	**106,598**	**106,598**
	96,453	**200,186**	**296,639**

36. 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)

2016 (continued)

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	–	21,306	21,306
Financial liabilities included in other payables and accruals	–	27,750	27,750
Derivative financial instruments	7,447	–	7,447
Interest-bearing bank borrowings	–	110,357	110,357
	7,447	159,413	166,860

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

36. 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)

2015 (continued)

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

37. 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 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 2016, the mark-to-market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Total
	US$'000	*US$'000*	*US$'000*
As at 31 December 2016			
Held-for-trading investments	**74,884**	**21,569**	**96,453**
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

Liabilities measured at fair value:

	Fair value measurement using significant observable inputs (Level 2)
	US$'000
As at 31 December 2016	
Derivative financial instruments	**7,447**
As at 31 December 2015	
Derivative financial instruments	22,221
Deferred compensation	837
	23,058

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 (2015: Nil).

38. 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 6% (2015: 9%) of the Group's sales were denominated in currencies other than the units' functional currencies, whilst approximately 56% (2015: 55%) 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$'000*
2016		
If the US$ weakens against the RMB	**5%**	**3,029**
If the US$ strengthens against the RMB	**5%**	**(3,029)**
If the US$ weakens against the GBP	**5%**	**92**
If the US$ strengthens against the GBP	**5%**	**(92)**
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)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

As at 31 December 2016, 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 a significant concentration of credit risk within the Group as 92% (2015: 86%) of the total trade receivables were from the U.S. as at 31 December 2016. The Group also has a concentration of credit risk by customers as 59% (2015: 42%) and 44% (2015: 33%) 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*
2016				
Interest-bearing bank borrowings	**105,842**	**225**	**5,098**	**111,165**
Trade payables	**16,602**	**4,704**	**–**	**21,306**
Other payables	**38,990**	**–**	**–**	**38,990**
Derivative financial instruments	**3**	**7,444**	**–**	**7,447**
	161,437	**12,373**	**5,098**	**178,908**

38. 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*
2015				
Interest-bearing bank borrowings	106,289	289	5,303	111,881
Trade payables	15,900	4,000	–	19,900
Other payables	32,741	–	–	32,741
Derivative financial instruments	959	13,123	8,139	22,221
	155,889	17,412	13,442	186,743

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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

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:

	2016	2015
	US$'000	*US$'000*
Debt	**110,357**	110,941
Equity	**371,168**	429,146
Gearing ratio	**29.7%**	25.9%

39. EVENTS AFTER THE REPORTING PERIOD

On 15 February 2017, the Group entered into a stock purchase agreement for (i) the acquisition of all of the outstanding shares of the capital stock (i.e. 35,000 shares of common stock) of Kohler Interiors Group, Ltd. for a consideration of approximately US$29,500,000 (subject to adjustment upon final completion); and (ii) the option to acquire the Hickory Property of US$5,500,000 on or before 28 February 2017 (collectively the "Acquisition").

On 28 February 2017, the Group exercised the option to acquire the Hickory Property and the final aggregate consideration for the Acquisition amounted to approximately US$35,600,000. For details, please refer to the Company's announcements dated 16 February 2017 and 1 March 2017. The assessment of the financial impact is still in progress.

40. 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:

	2016	2015
	US$'000	*US$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**216,746**	216,746
CURRENT ASSETS		
Due from subsidiaries	**144,509**	203,454
Cash and cash equivalents	**76**	76
Total current assets	**144,585**	203,530
CURRENT LIABILITIES		
Other payables	**396**	336
Due to subsidiaries	**10**	8
Total current liabilities	**406**	344
NET CURRENT ASSETS	**144,179**	203,186
TOTAL ASSETS LESS CURRENT LIABILITIES	**360,925**	419,932
EQUITY		
Issued capital	**152,180**	152,180
Reserves *(Note)*	**208,745**	267,752
Total equity	**360,925**	419,932

Shan Huei KUO
Director

Yi-Mei LIU
Director

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

Note:

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

	Share premium US$'000	Capital redemption reserve US$'000	Contributed surplus US$'000	Share option reserve US$'000	Retained profits/ (accumulated losses) US$'000	Total US$'000
At 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 and 1 January 2016	185,388	1,012	80,186	–	1,166	267,752
Total comprehensive loss for the year	–	–	–	–	(22,339)	(22,339)
Dividend recognised as distribution	–	–	–	–	(37,070)	(37,070)
Equity-settled share option arrangements	–	–	–	402	–	402
At 31 December 2016	185,388	1,012	80,186	402	(58,243)	208,745

* 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.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2017.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
REVENUE	**434,050**	435,146	415,799	408,846	422,770
Profit before impairment loss of an available-for-sale investment	**11,328**	7,055	22,211	27,508	25,043
Impairment loss on an available-for-sale investment	**–**	–	–	(6,585)	(1,227)
Profit before taxation	**11,328**	7,055	22,211	20,923	23,816
Taxation	**(4,783)**	(4,214)	(4,715)	(5,004)	(4,947)
Profit for the year	**6,545**	2,841	17,496	15,919	18,869

ASSETS AND LIABILITIES

	As at 31 December				
	2016	2015	2014	2013	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total assets	**561,327**	625,066	775,497	685,222	715,921
Total liabilities	**(190,159)**	(195,920)	(286,929)	(164,200)	(161,741)
Total equity	**371,168**	429,146	488,568	521,022	554,180