



Samson Holding Ltd.

順誠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 531.hk)



2017
Interim Report



* for identification purpose only



UNIVERSAL
Good. Affordable. Smart Design.

Legacy
CLASSIC FURNITURE



WILLIS & GAMBIER
Furniture designed for life

MILLING ROAD

Baker smartstuff
furniture for kids.



kids Inspirations
LEGACY CLASSIC by wendy bellissimo®

M c G U I R E



Corporate Profile

Since its establishment in 1995, Samson Group, including Samson Holding Ltd. (the “Company”) and its subsidiaries (the “Group”), has now become a fully vertically-integrated furniture company and ranks as one of top 10 furniture wholesalers in the United States of America (the “U.S.”). We currently market a wide range of our furniture products through a portfolio of brand names including Universal Furniture, Smartstuff by Universal, Legacy Classic Furniture, Legacy Classic Kids, Craftmaster Furniture, Baker, McGuire, 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 Baker Interiors Group, LTD. (formerly known as Kohler Interiors Group, LTD.) and its subsidiaries (“BIG”), which owns three global luxury furniture brands, namely, “Baker”, “Milling Road” and “McGuire”, each with a history of leading design, quality and craftsmanship. BIG sells its products through showrooms in North America, England, and France, and furniture dealer locations across the United States, Europe, Asia and the Middle East. BIG maintains relationships with interior designers who recommend the products to consumers worldwide.

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

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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/>
<https://www.bakerfurniture.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
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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.

1105 22nd Street SE,
Hickory, NC 28602
U.S.A.

United Kingdom:

Morley Way, Peterborough
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

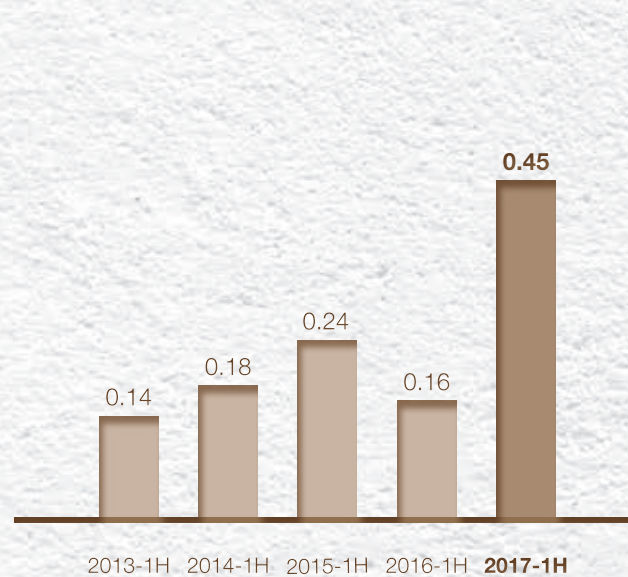
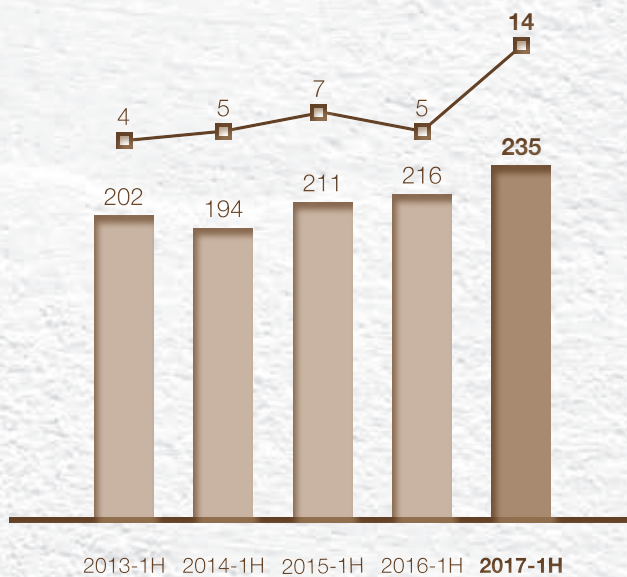
	Six months ended 30 June 2017 US\$'000	Six months ended 30 June 2016 US\$'000	Six months ended 30 June 2017 HK\$'000*	Six months ended 30 June 2016 HK\$'000*
Operating results				
Revenue	234,507	215,968	1,829,155	1,684,550
Earnings before interest and tax	22,196	8,322	173,129	64,912
Profit for the period	13,590	4,961	106,002	38,696
Earnings per share (US/HK cents)	0.45	0.16	3.51	1.25

	As at 30 June 2017 US\$'000	As at 31 December 2016 US\$'000	As at 30 June 2017 HK\$'000*	As at 31 December 2016 HK\$'000*
Financial position				
Total assets	555,385	561,327	4,332,003	4,378,350
Net current assets	196,884	225,410	1,535,695	1,758,198
Shareholders' equity	372,807	371,168	2,907,895	2,895,110

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

Revenue & Profit for the period (US\$ MN)

Earnings per share (US cents)



■ Revenue
□ Profit for the period



Management Discussion and Analysis

Business Review

Samson is now proud to be the holding company that possesses perhaps the best wholesale furniture branding portfolio in the U.S. after the successful acquisition of Baker Interiors Group, LTD. (formerly known as Kohler Interiors Group, LTD.) and its subsidiaries (“BIG”).

We are proud to build a fully integrated U.S. wholesale furniture branding, including Universal Furniture, Smartstuff by Universal Furniture, Paula Deen Home, Legacy Classic Furniture, Legacy Classic Kids, Wendy Bellissimo, Craftmaster Furniture, Lacquer Craft Hospitality, Willis & Gambier (United Kingdom), Universal Furniture China and Athome, backed up by Lacquer Craft Furniture with its unparalleled China manufacturing operations in Dongguan and Jiashan. BIG brings in three global luxury furniture brands, namely, “Baker”, “Milling Road” and “McGuire”, and each with a history of leading design, quality and craftsmanship, backed up by its advanced manufacturing plants, consisting of approximately 36 acres of beautiful land and the building in Hickory, North Carolina, United States.

On 28 February 2017, the Group has successfully completed the acquisition of BIG, with the reasons and benefits of the acquisition have been clearly stated in the Company’s announcement dated 16 February 2017. The integration went well on the tracks. The Group is committed to make necessary investment in BIG in all aspects, including Enterprise Resource Planning (“ERP”) system, product design, production facility and staffing.

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

We are pleased with the continuing margins increase as a result of favourable product mix change, effective cost and marketing expense control, and business expansion in the non-traditional channels that the Group has made great achievements and built good foundations. The integration and combination of BIG is expected to produce fruitful and exciting synergy to the Group. It is also a great pleasure to share with shareholders and potential investors of the Group that Mr. Shan Huei Kuo, Chairman of the Board of the Company was nominated as one of four honorees at 2017 American Home Furniture Hall of Fame (HOF) to recognise his influence and contributions made to the Home Furniture in the U.S.

Financial Review

Net sales for the six-month period under review was US\$234.5 million compared to US\$216.0 million in the same period last year, an increase of US\$18.5 million or 8.6%. The increase in net sales was attributable to the growth of sales of the mid-to-high end furniture brand of the Group due to the launch of successful new products, expansion of non-traditional channels and the new acquisition of BIG. In the meantime, the Group is also reducing its reliance on low margins business in Mass Merchandise.

Gross profit for the period was US\$81.1 million, a significant increase from that of US\$59.7 million for the same period in 2016. Gross profit margin for the period jumped to 34.6% from 27.7% for the same period in 2016. The improvement in margin was driven by the favourable business mix change, category expansion in high margins business and improving manufacturing efficiency.

Total operating expenses for the period increased to US\$65.7 million from US\$51.4 million for the same period in 2016. The increase was mainly due to the increased expenses of the newly acquired company.

Profit for the period increased to US\$13.6 million from US\$5.0 million for the same period in 2016. Net profit margin increased to 5.8% from 2.3% for the same period in 2016. The increase in profit was mainly due to increase in high margins business, continued good control in sales and marketing expenses and the one-time non-cash profit from the bargain purchase.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2017, the Group’s cash and cash equivalents decreased by US\$28.1 million to US\$78.5 million from US\$106.6 million as at 31 December 2016. Interest-bearing bank borrowings decreased by US\$24.0 million to US\$86.4 million from US\$110.4 million as at 31 December 2016. The gearing ratio (total bank borrowings/shareholders’ equity) decreased to 23.2% from 29.7% as at 31 December 2016. 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.



Management Discussion and Analysis (cont'd)

Cash and cash equivalents held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling and Hong Kong dollars. As at 30 June 2017, interest-bearing bank borrowings of US\$81.8 million (31 December 2016: US\$105.9 million) bore interest at floating rates and fixed rates ranging from 1.40% to 1.81% respectively and long term bank borrowings of US\$4.6 million bore interest at floating rate (31 December 2016: US\$4.5 million).

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

As a result of our international operations, we are exposed to foreign exchange risk arising from various currency exposures primarily with respect to Renminbi and U.K. Pound Sterling. Although the majority of our total revenues is denominated in U.S. dollars, a substantial portion of our cost of sales is paid in Renminbi and part of the sales are denominated in U.K. Pound Sterling. The exchange rates of U.K. Pound Sterling and Renminbi to U.S. dollars have fluctuated substantially in recent years and may continue to fluctuate in the future. In order to manage the risks arising from fluctuations in foreign exchange rates, we entered into forward foreign currency contracts to help manage currency exposures associated with certain sales and cost of sales. Most of the forward exchange contracts have generally ranged from one to twelve months in maturity whereas all foreign currency exchange contracts are recognised in the balance sheet at fair value. As at 30 June 2017, outstanding forward exchange contracts with notional value amounted to US\$25.9 million (31 December 2016: US\$97.4 million).

The Group's current assets decreased by 10.0% to US\$367.1 million from US\$407.9 million as at 31 December 2016 and the Group's current liabilities decreased by 6.7% to US\$170.3 million from US\$182.5 million as at 31 December 2016. The current ratio (current assets/current liabilities) is 2.2 times (31 December 2016: 2.2 times).

Pledge of Assets

As at 30 June 2017, certain of the Group's property, plant and equipments, investment properties, other intangibles, inventories, trade and other receivables and bank deposits with carrying value of US\$161.6 million (31 December 2016: US\$9.9 million) has been pledged to banks to secure the general banking facilities granted to the Group.

Capital Expenditure

Capital expenditure for the six months ended 30 June 2017 amounted to US\$39.7 million compared to US\$7.9 million for the same period in 2016, which was mainly incurred for the acquisition of BIG (now became an indirect wholly owned subsidiary of the Company) in order to further expand the Company's business to luxury furniture brands. Furthermore, the Company's investment in pollution control equipment was enhanced to reduce the impact on the China environment with its increased concern of the environmental protection.

Outlook

The strong foundation we have built across our business models over the years has positioned us well to capitalise on continuing improvements in the economy. Competition maybe fierce, and economy is unpredictable. However, we believe our strong capital, our management, category expansion, diversified customer base, growing distribution channels and continuing operational efficiency will be winning factors for the coming recovery cycle.

Employees and Emolument Policy

As at 30 June 2017, the Group employed approximately 7,900 (30 June 2016: 7,500) full-time employees in the PRC, the U.S., the U.K., Taiwan, Bangladesh and Indonesia.

For the six months ended 30 June 2017, the total remuneration of employees (including the remuneration of the Company's directors) was approximately US\$55.1 million (30 June 2016: US\$50.4 million).

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



Other Information

Dividend

The Board has recommended the payment of an interim dividend of HK\$0.035 per share out of the Company's share premium account for the six months ended 30 June 2017 (30 June 2016: RMB0.03 per share), amounting to approximately HK\$106.5 million (30 June 2016: RMB91.3 million), subject to the approval of the shareholders at the forthcoming extraordinary general meeting (the "EGM"). Upon approval of the shareholders, the proposed interim dividend will be paid on 20 October 2017 to the shareholders of the Company whose names appear on the Company's register of members as at 9 October 2017. The aggregate amount shall be paid out of the Company's share premium account if sanctioned by a special resolution passed at the EGM.

Closure of Register of Members

For determining the qualification as members of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 25 September 2017 to Thursday, 28 September 2017, both days inclusive, during which period no transfers of shares will be registered. In order to qualify as members to attend and vote at the EGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 September 2017.

For determining the entitlement to the proposed interim dividend (subject to the approval of the Company's shareholders at the EGM), the register of members of the Company will be closed from Thursday, 5 October 2017 to Monday, 9 October 2017, both days inclusive, during which period no transfers of shares will be registered. In order to be eligible for the entitlement to the interim dividend, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 4 October 2017.

Corporate Governance

The Board is committed to maintaining high standards of corporate governance. The Company confirms that it has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the six months ended 30 June 2017, save that Mr. Shan Huei KUO is the Chairman of the Board and also the Chief Executive Officer of Lacquer Craft Mfg. Co., Ltd. (Dongguan) and Lacquer Craft Mfg. Co., Ltd. (Zhejiang). The Group does not intend to separate these two functions as both the Board and senior management of the Group have significantly benefited from the leadership, support and experience of Mr. Kuo in his management of the Board and the business of the Company.

Changes in Directors' Biographical Details

Changes in directors' biographical details which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules are set out below:

Mr. Ming-Jian KUO, independent non-executive director of the Company, has resigned as the Chief Executive Officer but remains as a partner of Zoyi Capital Ltd. with effect from 16 June 2017 and has been appointed as the Chairman of Cathay United Bank Co., Ltd. with effect from 29 June 2017.

Code for Directors' Securities Transactions

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

Having made specific enquiry, all directors have confirmed that they have complied with the Model Code and the Company's Code throughout the six months ended 30 June 2017.

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

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

Share Option Scheme

Following the expiry on 16 November 2015 of the Company's share option scheme adopted in 2005, the Company has adopted a new share option scheme on 18 May 2016 (the "2016 Share Option Scheme") to attract and incentivise skilled and experienced personnel. The 2016 Share Option Scheme shall be valid and effective for a period of 10 years until 18 May 2026.

Details of the share options granted and outstanding under the 2016 Share Option Scheme during the six months ended 30 June 2017 were as follows:

	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Number of share options				
					Outstanding as at 1.1.2017	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding as at 30.06.2017
Other employees:									
In aggregate	11.11.2016	0.67	11.11.2016	11.11.2016 – 10.11.2021	42,000,000	–	–	–	42,000,000
Total					42,000,000	–	–	–	42,000,000



Other Information (cont'd)

Directors' Interests in Shares and Underlying Shares

As at 30 June 2017, the interests of the directors or chief executive in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of directors	Capacity	Number of issued ordinary shares held (Long positions)	Percentage of the issued share capital of the Company
Mr. Shan Huei KUO	Held by controlled corporations (<i>Note</i>)	2,146,346,773	70.52%
Ms. Yi-Mei LIU	Held by controlled corporations (<i>Note</i>)	2,146,346,773	70.52%

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

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

Other than as disclosed above, none of the directors nor chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2017.

Substantial Shareholders' Interests in Shares

As at 30 June 2017, 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.

Independent Auditors and Audit Committee Review

The unaudited interim report for the six months ended 30 June 2017 has been reviewed by Ernst & Young, which report is included in this report, and the Company's Audit Committee.



Report on Review of Condensed Consolidated Financial Statements



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To the board of directors of Samson Holding Ltd.
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements set out on pages 10 to 26, which comprise the condensed consolidated statement of financial position of Samson Holding Ltd. (the “Company”) and its subsidiaries (together the “Group”) as at 30 June 2017 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
22 August 2017



Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 US\$'000 (Unaudited)	2016 US\$'000 (Unaudited)
REVENUE	4	234,507	215,968
Cost of sales		(153,375)	(156,238)
Gross profit		81,132	59,730
Other income, gains, losses and expenses		6,783	(48)
Distribution costs		(8,573)	(9,662)
Sales and marketing expenses		(31,108)	(21,861)
Administrative expenses		(26,038)	(19,837)
Finance costs		(1,085)	(601)
PROFIT BEFORE TAX	5	21,111	7,721
Income tax expense	6	(7,521)	(2,760)
PROFIT FOR THE PERIOD		13,590	4,961
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic (in US cents)		0.447	0.163
– Diluted (in US cents)		0.447	0.163



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

Six months ended 30 June

	2017 US\$'000 (Unaudited)	2016 US\$'000 (Unaudited)
PROFIT FOR THE PERIOD	13,590	4,961
OTHER COMPREHENSIVE INCOME/(LOSS): <i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	1,297	(10,025)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	14,887	(5,064)



Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Notes	30 June 2017 US\$'000 (Unaudited)	31 December 2016 US\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	141,324	114,229
Investment properties		8,032	8,146
Prepaid land lease payments		9,018	8,942
Goodwill		13,705	13,705
Other intangible assets		6,269	1,669
Deferred tax assets		9,902	6,720
Total non-current assets		188,250	153,411
CURRENT ASSETS			
Inventories		119,686	101,130
Trade and other receivables	10	91,259	100,945
Prepaid land lease payments		287	282
Held-for-trading investments	11	63,374	96,453
Derivative financial instruments		1	–
Tax recoverable		4,676	–
Pledged bank deposits		7,833	1,008
Short term bank deposit	12	1,500	1,500
Cash and cash equivalents	12	78,519	106,598
Total current assets		367,135	407,916
CURRENT LIABILITIES			
Trade and other payables	13	78,798	60,296
Tax payable		9,294	8,880
Derivative financial instruments		381	7,447
Interest-bearing bank borrowings	14	81,778	105,883
Total current liabilities		170,251	182,506
NET CURRENT ASSETS		196,884	225,410
TOTAL ASSETS LESS CURRENT LIABILITIES		385,134	378,821
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	4,617	4,474
Deferred tax liabilities		7,710	3,179
Total non-current liabilities		12,327	7,653
Net assets		372,807	371,168
EQUITY			
Issued capital	15	152,180	152,180
Reserves		220,627	218,988
Total equity		372,807	371,168

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Issued capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Share option reserve US\$'000	Merger reserve US\$'000	Statutory reserve US\$'000	Exchange reserve US\$'000	Retained profits US\$'000	Total equity US\$'000
At 1 January 2017 (audited)	152,180	185,388	1,012	402	1,581	1,174	13,890	15,541	371,168
Profit for the period	-	-	-	-	-	-	-	13,590	13,590
Other comprehensive income for the period:									
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	1,297	-	1,297
Total comprehensive income for the period	-	-	-	-	-	-	1,297	13,590	14,887
Dividend recognised as distribution	-	(13,248)	-	-	-	-	-	-	(13,248)
At 30 June 2017 (unaudited)	152,180	172,140	1,012	402	1,581	1,174	15,187	29,131	372,807
At 1 January 2016 (audited)	152,180	185,388	1,012	-	1,581	1,174	41,745	46,066	429,146
Profit for the period	-	-	-	-	-	-	-	4,961	4,961
Other comprehensive loss for the period:									
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(10,025)	-	(10,025)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(10,025)	4,961	(5,064)
Dividend recognised as distribution	-	-	-	-	-	-	-	(23,314)	(23,314)
At 30 June 2016 (unaudited)	152,180	185,388	1,012	-	1,581	1,174	31,720	27,713	400,768



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 US\$'000 (Unaudited)	2016 US\$'000 (Unaudited)
Net cash flows from operating activities	57,526	28,599
Release of short term bank deposit	–	30,946
Interest received	585	714
Acquisition of subsidiaries	(35,000)	(3,451)
Proceeds from disposal of items of property, plant and equipment	26	18
Placement of a long term bank deposit	–	(1,500)
Purchases of items of property, plant and equipment	(4,696)	(4,437)
(Increase)/decrease in pledged bank deposits	(6,825)	35
Net cash flows (used in)/from investing activities	(45,910)	22,325
Repayment of bank borrowings	(143,569)	(106,119)
New bank borrowings	119,323	96,382
Dividends paid	(13,248)	(23,314)
Interest paid	(1,085)	(601)
Net cash flows used in financing activities	(38,579)	(33,652)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(26,963)	17,272
Cash and cash equivalents at the beginning of period	106,598	95,898
Effect of foreign exchange rate changes	(1,116)	(1,975)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	78,519	111,195



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. Basis of Preparation

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

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

2. Changes in Significant Accounting Policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA for the first time for the current period’s condensed consolidated financial statements:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 28	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities</i>

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

3. Operating Segmental Information

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

Segment profit before tax of US\$41,451,000 (six months ended 30 June 2016: US\$28,207,000) represents the profit before tax earned by the single reportable segment excluding administrative expenses, other income, gains, losses and expenses and finance costs.

4. Revenue

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

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

For the six months ended 30 June 2017

5. Profit Before Tax

	Six months ended 30 June	
	2017 US\$'000 (Unaudited)	2016 US\$'000 (Unaudited)
The Group's profit before tax is arrived at after charging/(crediting):		
Provision for inventories	44	2,235
Reversal of inventories provision	(510)	(59)
Depreciation of investment properties	114	114
Depreciation of items of property, plant and equipment	6,779	5,905
Impairment loss on trade receivables	382	49
Net loss on derivative financial instruments	1,438	3,196
Net gain on held-for-trading investments	(2,036)	(3,519)
Loss on disposal of items of property, plant and equipment	151	134
Amortisation of prepaid land lease payments	142	149
Bank interest income	(585)	(714)
Gain on bargain purchase	(2,980)	-

6. Income Tax Expense

	Six months ended 30 June	
	2017 US\$'000 (Unaudited)	2016 US\$'000 (Unaudited)
Tax charge comprises:		
Current tax		
The United States ("U.S.") Income tax		
Current period	1,152	2,776
Elsewhere	1,823	499
Deferred tax	4,546	(515)
Total tax charge for the period	7,521	2,760

The U.S. income tax charge comprises federal income tax calculated at 34% (six months ended 30 June 2016: 34%) and state income tax calculated at various rates on the estimated assessable profits of the Company's subsidiaries in the U.S.

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2017 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2016: Nil).

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

For the six months ended 30 June 2017



7. Dividends

During the six months ended 30 June 2017, a final dividend of RMB0.03 per share, amounting to approximately RMB91,308,000 (approximately US\$13,248,000) in aggregate, for the year ended 31 December 2016 was paid to the shareholders of the Company.

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

The Board has recommended the payment of an interim dividend of HK\$0.035 per share out of the Company's share premium account, amounting to approximately HK\$106,526,000 (approximately US\$13,657,000) for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB0.03 per share, amounting to approximately RMB91,308,000, approximately US\$13,756,000) in aggregate, subject to the approval of the shareholders at the forthcoming extraordinary general meeting (the "EGM"). Upon approval of the shareholders, the proposed interim dividend will be paid on 20 October 2017 to the shareholders of the Company whose names appear on the Company's register of members as at 9 October 2017. The aggregate amount shall be paid out of the Company's share premium account if sanctioned by a special resolution passed at the EGM.

8. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

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

	Six months ended 30 June	
	2017 US\$'000 (Unaudited)	2016 US\$'000 (Unaudited)
Profit for the period and earnings for the purpose of basic and diluted earnings per share	13,590	4,961
Weighted average number of ordinary shares in issue during the period used in basic and diluted earnings per share calculation (<i>Note</i>)	3,043,609,773	3,043,609,773
Basic and diluted earnings (in US cents)	0.447	0.163

Note: No adjustment has been made to the basic earnings per share for the six months ended 30 June 2017 and 2016 as the Group had no potential dilutive ordinary shares in issue during the respective periods.

9. Movements in Property, Plant and Equipment

During the period, the Group acquired items of property, plant and equipment of US\$32,000,000 (six months ended 30 June 2016: US\$5,515,000), which included an amount of US\$27,304,000 from acquisition of subsidiaries. In addition, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of US\$177,000 (six months ended 30 June 2016: US\$152,000) for cash proceeds of US\$26,000 (six months ended 30 June 2016: US\$18,000), resulting in a loss on disposal of US\$151,000 (six months ended 30 June 2016: US\$134,000).

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

For the six months ended 30 June 2017

10. Trade and Other Receivables

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

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

	30 June 2017 US\$'000 (Unaudited)	31 December 2016 US\$'000 (Audited)
Trade receivables:		
Within 1 month	46,659	32,671
1 to 2 months	12,847	29,850
Over 2 months	11,159	18,690
	70,665	81,211
Other receivables, deposits and prepayments	20,594	19,734
	91,259	100,945

11. Held-for-Trading Investments

	30 June 2017 US\$'000 (Unaudited)	31 December 2016 US\$'000 (Audited)
Debt securities, at fair value:		
Listed in the U.S. with average yield rates of 3.37% to 4.58% and maturity from April 2017 to November 2041	13,234	16,394
Listed in Hong Kong with average yield rates of 1.05% to 3.80% and maturity from on demand to July 2075	14,111	17,277
Listed in Singapore with average yield rates of 1.98% to 4.19% and maturity from on demand to July 2026	14,236	14,076
Listed in the United Kingdom with average yield rates of 0.73% to 4.24% and maturity from January 2017 to January 2022	654	2,055
Listed in other jurisdictions with average yield rates of 3.36% to 3.82% and maturity from January 2017 to November 2041	5,972	7,757
Structured deposits with interest rates of 5.75% to 7.70% and maturity from February 2017 to March 2017	–	6,638
Others	15,167	32,256
	63,374	96,453

The above investments as at 30 June 2017 and 31 December 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.

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

For the six months ended 30 June 2017



12. Bank Deposits/Cash and Cash Equivalents

At 30 June 2017, cash and cash equivalents were cash and bank balances with an original maturity of 3 months or less of US\$78,519,000 (31 December 2016: US\$106,598,000).

Included in short term bank deposit is deposit placed in bank of US\$1,500,000 with an original maturity of more than 3 months (31 December 2016: US\$1,500,000).

13. Trade and Other Payables

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

	30 June 2017 US\$'000 (Unaudited)	31 December 2016 US\$'000 (Audited)
Trade payables:		
Within 1 month	14,532	12,173
1 to 2 months	4,057	4,429
Over 2 months	4,204	4,704
	22,793	21,306
Other payables and accruals	56,005	38,990
	78,798	60,296

14. Interest-Bearing Bank Borrowings

	30 June 2017			31 December 2016		
	Effective interest rate (%)	Maturity	US\$'000	Effective interest rate (%)	Maturity	US\$'000
Current						
Bank loans – unsecured	1.40 – 1.81	2017	81,527	1.29 – 1.99	2017	105,648
Bank loans – secured	1.60	2017	251	1.60 – 1.81	2017	235
			81,778			105,883
Non-current						
Bank loans – secured	1.60	2034	4,617	1.60 – 1.81	2034	4,474
			86,395			110,357

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

For the six months ended 30 June 2017

15. Share Capital

	Number of shares	Nominal value US\$'000
Ordinary shares of US\$0.05 each		
Authorised:		
At 31 December 2016 and 30 June 2017	6,000,000,000	300,000
Issued and fully paid:		
At 31 December 2016 and 30 June 2017	3,043,609,773	152,180

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the current and corresponding periods.

16. Business Combination

On 28 February 2017, the Group acquired a 100% interest in Baker Interiors Group, LTD. (formerly known as "Kohler Interiors Group, LTD.") and its subsidiaries ("BIG"), at a consideration of US\$35,000,000. BIG is engaged in the manufacture and sale of a range of casual and luxury lifestyle furniture and home accessories. The acquisition was made as part of the Group's strategy to expand its business into the high-end furniture market. The purchase consideration was fully settled by cash of US\$35,000,000 on 28 February 2017.

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

	Notes	Fair value recognised on acquisition US\$'000
Property, plant and equipment	9	27,304
Intangible assets (Trade names)		4,600
Deferred tax assets		3,197
Inventories		11,862
Trade and other receivables		5,505
Tax recoverable		4,074
Trade payables		(2,256)
Other payables and accruals		(16,306)
Total identifiable net assets at fair value		37,980
Gain on bargain purchase recognised in other income and gains in the condensed consolidated statement of profit or loss	5	(2,980)
Satisfied by cash		35,000

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

For the six months ended 30 June 2017



16. Business Combination (continued)

The fair values and gross contractual amounts of the trade and other receivables as at the date of acquisition amounted to US\$5,505,000.

The Group incurred acquisition expenses of US\$338,000 for this acquisition. These acquisition expenses have been expensed and are included in other expenses in the condensed consolidated statement of profit or loss.

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

	<i>US\$'000</i>
Cash consideration	(35,000)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(35,000)

Since the acquisition, BIG contributed US\$29,960,000 to the Group's revenue and US\$2,872,000 to the consolidated profit for the six months ended 30 June 2017.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been US\$249,487,000 and US\$15,026,000, respectively.

17. Commitments

	30 June 2017 US\$'000 (Unaudited)	31 December 2016 US\$'000 (Audited)
Capital expenditure in respect of acquisition of items of property, plant and equipment contracted, but not provided for in the condensed consolidated financial statements	7,879	11,119

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

For the six months ended 30 June 2017

18. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 30 June 2017

Financial assets

	Financial assets at fair value through profit or loss – Held for trading US\$'000	Loans and receivables US\$'000	Total US\$'000
Trade receivables	–	70,665	70,665
Financial assets included in prepayments, deposits and other receivables	–	16,985	16,985
Held-for-trading investments	63,374	–	63,374
Derivative financial instruments	1	–	1
Pledged bank deposits	–	7,833	7,833
Short term bank deposit	–	1,500	1,500
Cash and cash equivalents	–	78,519	78,519
	63,375	175,502	238,877

Financial liabilities

	Financial liabilities at fair value through profit of loss – Held for trading US\$'000	Financial liabilities at amortised cost US\$'000	Total US\$'000
Trade payables	–	22,793	22,793
Financial liabilities included in other payables and accruals	–	32,629	32,629
Derivative financial instruments	381	–	381
Interest-bearing bank borrowings	–	86,395	86,395
	381	141,817	142,198

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

For the six months ended 30 June 2017



18. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

As at 31 December 2016

Financial assets

	Financial assets at fair value through profit or loss – Held for trading US\$'000	Loans and receivables US\$'000	Total 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 deposit	–	1,500	1,500
Cash and cash equivalents	–	106,598	106,598
	96,453	200,186	296,639

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

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

For the six months ended 30 June 2017

19. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, short term bank deposit, pledged bank deposits, current portion of interest-bearing bank borrowings, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2017 was assessed to be insignificant.

The fair values of 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 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 forward contracts and foreign currency forward options are the same as their fair values.

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using		Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	
As at 30 June 2017			
Held-for-trading investments	48,210	15,164	63,374
Derivative financial instruments	–	1	1
	48,210	15,165	63,375
As at 31 December 2016			
Held-for-trading investments	74,884	21,569	96,453

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

For the six months ended 30 June 2017



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

Fair value hierarchy (continued)

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

Liabilities measured at fair value:

	Fair value measurement using significant observable inputs (Level 2) US\$'000
As at 30 June 2017	
Derivative financial instruments	381
As at 31 December 2016	
Derivative financial instruments	7,447

During the six months ended 30 June 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 December 2016: Nil).

20. Related Party Transactions

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

Name of related company	Nature of transaction	Six months ended 30 June	
		2017 US\$'000 (Unaudited)	2016 US\$'000 (Unaudited)
Samson Global Co., Ltd.	Rental paid	19	19

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



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

For the six months ended 30 June 2017

20. Related Party Transactions (continued)

Compensation of key management personnel

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

	Six months ended 30 June	
	2017 US\$'000 (Unaudited)	2016 US\$'000 (Unaudited)
Short-term benefits	989	982

The remuneration of directors and key executives is determined by the Remuneration Committee of the Company having regard to the performance of the individuals and market trends.

21. Approval of the Condensed Consolidated Financial Statements

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